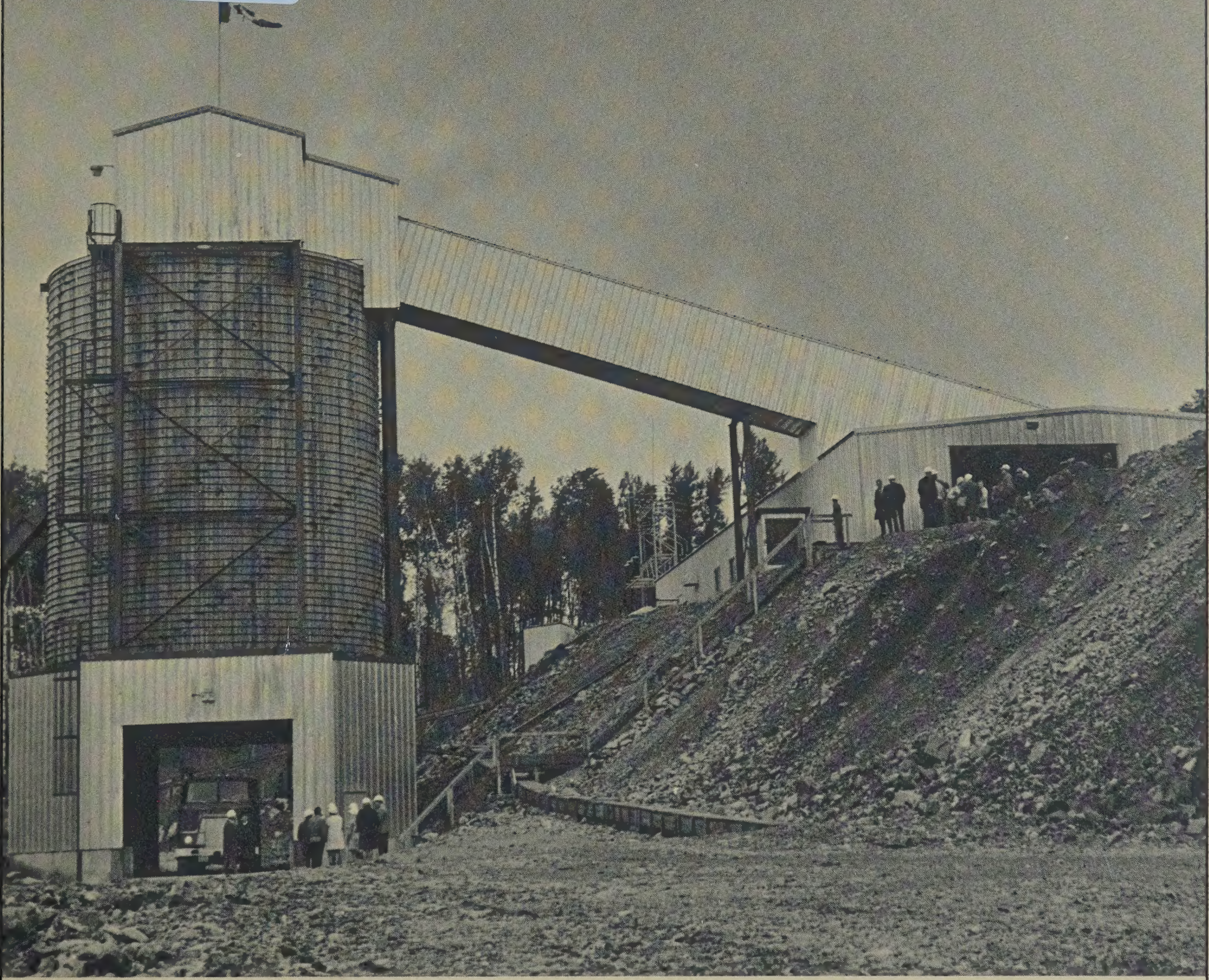
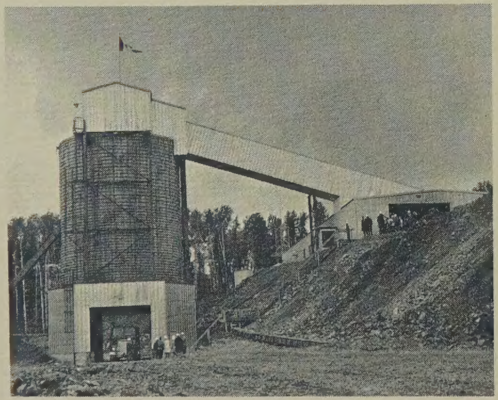


CONSOLIDATED CANADIAN FARADAY LIMITED

ANNUAL REPORT 1969



Cover photograph on this year's annual report shows the ore loading area at the Dumbarton mine. The photo was taken at the official opening of the property.

Directors:	W. Clarke Campbell Ashton W. Johnston Jules Loeb John K. McCausland J. J. Rankin George T. Smith Archibald B. Whitelaw
Officers:	Ashton W. Johnston, *Chairman of the Board* W. Clarke Campbell, *President* Jules Loeb, *Executive Vice-President* John R. Bridger, *Assistant to the President* William M. O'Shaughnessy, *Secretary-Treasurer*
Registrar and Transfer Agent:	Guaranty Trust Company of Canada Toronto, Montreal, Vancouver
Co-Transfer Agent:	Bank of Montreal Trust Company New York
Auditors:	Thorne, Gunn, Helliwell & Christenson Toronto
Mine Office:	Werner Lake, Ontario
Head Office:	Suite 1600, 100 Adelaide Street West, Toronto, Ontario

TO THE SHAREHOLDERS:

W. Clarke Campbell, President

Your directors submit their report for the year ended December 31, 1969. Included are the consolidated financial statements of the company, the auditors' report, and the financial statements of Dumbarton Mines Limited for the same fiscal period. Also enclosed are the annual reports of the mine managers, on the Dumbarton, Werner Lake and Red Mountain operations.

The year was one of transition for the company as reduced tonnage of ore milled from the Werner Lake mine was replaced by increased mill feed from the Dumbarton mine.

Start-up at Dumbarton was not without its growing pains. However, the problems foreseen and unforeseen have been worked out and management looks forward to a smooth operation with the combined ores.

The Dumbarton ores are considerably harder than those of Werner Lake and have a lower precious metal content. As a result, procedures which had been more than adequate for the control of Werner Lake production had to be adapted and refined to handle the combined ores. The overall problem was complicated by the extended strike at the operations of both International Nickel and Falconbridge Nickel Mines; this forced stockpiling of concentrates produced during the second half of the year and shipments were not resumed until December with attendant delays on settlements.

Management wishes to acknowledge the valuable co-operation given by both International Nickel and Falconbridge during this difficult fiscal period.

The original cost of the Maskwa project (now Dumbarton Mines Limited) had been estimated at $2,400,000. Shareholders will note that the company has receivables from Dumbarton of slightly less than $3,000,000 as at December 31, 1969. This increase was largely occasioned by the necessity of providing Dumbarton with working capital and the decision to proceed on an accelerated program of development work at the Dumbarton mine. It is now planned to have the major development required to mine the Dumbarton orebodies completed by early 1971. Since the accelerated development costs incurred after commencement of production have not been capitalized, the result has been to put Dumbarton into a loss position for the year ended December 31, 1969. This policy will also depress operating profits in 1970. The procedure, however, in no way affects the ultimate cash potential from the Dumbarton operation.

BANCROFT DIVISION: Federal Resources Corporation has advised your company that it is its intention to exercise its option to place the Bancroft property into production and thus earn a 51% interest in that property.

Negotiations between Federal and your company are in progress to modify the 1966 agreement to establish a target date for economic operation. The date of production will depend upon the conclusion of firm contracts for the output of the mine.

As yet it has not been determined whether a new company will be formed or the property be operated as a joint venture.

Your management has been in touch with Federal Government authorities, following announcements from Ottawa regarding policy of ownership in Canadian uranium resources. Further information and clarification is awaited on the matter.

GENERAL: Exploration activities during the year were sharply curtailed as all efforts were concentrated on the Dumbarton project. Active exploration was carried on, however, by the associated companies, Massval Mines Limited and Hydra Explorations Limited.

In recent months management has been discussing possible corporate alliances with other mining organizations, with a view to expanding Faraday's financial and technical capability for a stronger role in the mining industry. At this time, no agreements have been concluded.

Your directors acknowledge the loyalty and efficiency of Messrs. C. P. Moore and B. C. Fillingham, managers of the three operations and their efficient staffs.

On behalf of the board,

W. C. Campbell

W. CLARKE CAMPBELL,
President.

April 24, 1970.

Guests of honor at the official opening of the Dumbarton mine were W. W. Mair, deputy minister of the Department of Mines and Natural Resources, Manitoba, left, and Donald Douglass, deputy minister of the Department of Mines of Ontario.

WERNER LAKE DIVISION

The mine operated throughout the year at an average daily rate of 498 tons.

The production of concentrates totalled 12,659.2 dry tons with a recoverable metal content of 1,974,830 pounds of nickel, 1,051,462 pounds of copper, 638.465 ounces of platinum, and 3,782.566 ounces of palladium.

Decrease in the recoverable metal content for the year is basically attributed to the lower grade of ore milled.

The concentrates were sold to the International Nickel Company of Canada.

DEVELOPMENT: The exploration development program carried out throughout the year produced some new ore east of 12-142 Stope and above the 1300 Level.

The development of blasthole stopes in low grade peridotites is still continuing.

A blasthole stope has been outlined above 400 Level east of the shaft and another in the footwall of 7-114 Stope.

The development program was cut back considerably in order to keep costs down until Dumbarton's capital investment is recovered.

MILLING: Performance figures are tabulated below with comparative data for 1968 and 1967:—

	1969	1968	1967
Tons Milled	177,726	207,417	214,536
Heads —			
Nickel %	0.82	1.05	1.17
Copper %	0.39	0.53	0.58
Tails —			
Nickel %	0.20	0.22	0.21
Copper %	0.055	0.05	0.06
Recoveries —			
Nickel %	77.1	80.8	83.5
Copper %	86.9	90.7	90.8
Concentrate —			
Nickel %	8.84	9.47	10.25
Copper %	4.81	5.33	5.55

The new mill circuit was completed in June. The addition of this circuit increases the milling capacity to 1,200 tons per day. Modifications of the old circuit were completed by August.

Difficulties were encountered in both circuits during the tune-up periods which followed. These are primarily due to the abrasiveness of the Dumbarton ores, sliming and erratic assay values. Analytical analyses are being checked and new material substituted to combat the abrasive qualities of the ore.

MINING: Blasthole mining is gradually replacing cut and fill and shrinkage stope methods, except in the "B" Zone.

Tonnage mined over the year decreased from the previous year. This is attributed to a cut-back in the Werner Lake production as Dumbarton Mines began providing an ore supply.

Production at Werner Lake has been reduced to 300 tons per day. The balance of the ore will come from the Dumbarton operation.

The underground mining force at Werner Lake has been reduced by 50%.

ORE RESERVES: Reserves as at December 31, 1969 are tabulated below:

	Tons	% Nickel	% Copper
Proven Ore	345,188	0.87	0.34

COSTS: Reduction in manpower with comparative reduction in costs, reduced operational expenditures by $1.54 per ton and mining costs by $1.64. However, while these costs were achieved, the effects were neutralized by the lower grade of ore treated and the inflationary effects of higher wages and materials.

Efforts to reduce these costs, in every aspect, are continuing. Comparative cost figures per ton, not including head office expenses, are as follows:

	1969	1968
Development	0.67	0.73
Mining	8.38	10.33
Milling	2.61	2.38
Marketing	1.40	1.67
	13.06	15.11

GENERAL: Capital expenditures for the year totalled $252,388. This is made up of buildings, contents of buildings and equipment.

Relations between the company and employees have been normal.

I wish to express my appreciation toward the loyal and efficient services of the mine staff and employees during the year. The co-operation and assistance of the directors and head office is thoroughly appreciated.

C. P. Moore,
Mine Manager, Werner Lake Division,
Consolidated Canadian Faraday Limited.

March 25, 1970.

DUMBARTON MINES LIMITED

The official opening of Dumbarton Mines Limited was held September 27, 1969, at the mine site, Bird River, Manitoba.

The mine was brought through to production by the completion of the inclined entry-way, the installation of the 36″ x 48″ primary underground crusher and 30″ belt conveyor. The surface plant included the completion of a 1,200 ton ore bin, service building and trailer park.

The pre-production schedule was handicapped by a scoop-tram accident and loss of the main transformer. These incidents were severe enough to delay the opening two months.

Pre-production Footages for 1969

Drifts, X-Cuts	1,606 feet
Main Incline Entry	543 feet
330 Level Incline	303 feet
160 Ramp	160 feet
Raises	462 feet
Crusher Room Elevation .	40,224 cu. feet
Sumps	17,904 cu. feet

PRODUCTION: Production commenced October 1, 1969. The mine operated for the remainder of the year at an average daily rate of 527 tons.

The production of concentrates totalled 4,945.5 dry tons with recoverable metal content of 730,377 pounds of nickel and 221,662 pounds of copper.

Precious metal content of concentrate shipments have not as yet been returned from the smelter.

The assaying of Dumbarton ore indicates our nickel determination to be very erratic. Composite assays are now being checked by several laboratories in order to determine a suitable analytical approach to the problem.

The concentrates are shipped to Falconbridge Nickel Mines, Sudbury, Ontario.

MINING: The known ore bodies at Dumbarton Mines are divided into two zones, the East Zone and West Zone. These ore bodies are of suitable width, regularity, dip and physical characteristics to lend themselves favourably to sub-level blast hole benching.

In order to sustain flexibility and grade, the ore from both of these zones will be blended. A development program and production schedule has been designed to meet these requirements.

Production at present is coming from the East Zone while the West Zone is being developed. Mining is trackless, using L.H.D. equipment.

The mine is presently producing 600 tons per calendar day. This is expected to increase early in the new year as local conditions adjust themselves.

MILLING: Performance figures for the year are tabulated below:—

	1969
Tons Milled	66,395
Heads:	
Nickel %	0.77
Copper %	0.26
Tails:	
Nickel %	0.16
Copper %	0.034
Concentrates:	
Nickel %	8.31
Copper %	3.10
Recovery:	
Nickel %	80.5
Copper %	88.0

ORE RESERVES: Proven ore reserves as of December 31, 1969 are tabulated below, based on 9.4 tons cu. ft./ton at 20% dilution:

	Tons	% Nickel	% Copper
West Ore Body ...	605,405	1.02	0.32
East Ore Body ...	735,870	0.80	0.25
	1,341,275	0.90	0.28

COSTS: The total pre-production expenditures underground for 1969 amounted to $341,916.

Operating costs at the end of the year began to come in line with our original estimate. No difficulty is expected in reaching this forecast. Comparative costs figures per ton, not including head office expenses, are supplied in this table:

	1969	Forecasted
Development	1.87	1.00
Mining	1.67	2.20
Milling	1.72	1.70
General Expense	1.06	0.80
Overhead Charges (C.C.F.L.)	1.36	1.10
Crushing	0.16	0.18
Conveying	0.14	0.12
Ore & Waste Transportation	1.11	1.20
	9.09	8.30

GENERAL: Capital expenditures for the year totalled $898,978. This includes buildings, contents of buildings, underground equipment, roads and trailer park.

Relations between the company and employees have been very good.

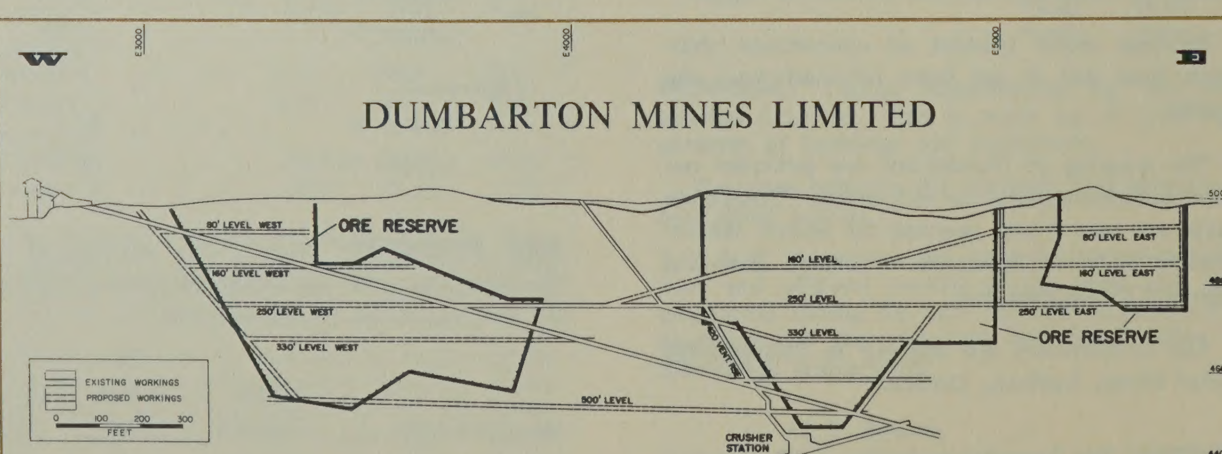
I wish to express my appreciation towards the loyal and efficient services of the mine staff and employees who assisted me in bringing this operation through to production. Without their steadfast support, patience and assistance this would not have been a reality.

The co-operation and assistance of the consultants, directors and head office is thoroughly appreciated.

C. P. Moore, Mine Manager,
Dumbarton Mines Limited.

March 25, 1970.

DUMBARTON MINES LIMITED



LONGITUDINAL SECTION OF UNDERGROUND WORKINGS

RED MOUNTAIN MINES LIMITED

Tonnage milled at its Rossland, B.C. mine in 1969 was 201,542 and represents a very slight increase in tonnage over 1968. Installation of new liners in the ball mill reduced the grinding capacity substantially from May until December, when an increase in rpm was effected to offset this reduction.

Ore feed was drawn mainly from the Lower "B" Pit, with the exception of 12,000 tons which were obtained from the Upper "B" Pit.

Production for the year was 1,232,582 lbs. of MoS_2 from the milling of 201,542 tons grading 88.7% MoS_2 at a recovery rate of 87.25%.

Operating profit before depreciation, amortization and provision for interest on income debentures was $365,633. Net additions to fixed assets amounted to $14,626.

The development pace was accelerated but proved barely sufficient to maintain adequate mining areas for mill feed. To finalize the grade and ore outline of the Upper "A" and "B" ore zones, a diamond and percussion drilling program was started early in the year. Later in December, another program was scheduled to find other potential pit areas. The results of this drilling indicated the "C" Ore Zone to have the most potential for an economic deposit.

A new labour contract was negotiated and signed with the International Union of Operating Engineers and Tunnel and Rock Workers Local 168. This agreement was for a duration of two years, terminating June 30, 1971. In retrospect, wage increases in British Columbia as reflected by our own Agreement, show an increase in the basic labour rate of 44% in 5 years, or, 15.8% of the total operating cost which represents a cost increase of 3.1% per annum.

The resurgence of the coal industry in B.C. attracted some highly unfavourable publicity to strip mining which eventually found all open pit operations being grouped in an unfavourable light. The government reacted to this hostile publicity by imposing very strict pollution and land reclamation controls on the mining industry.

Red Mountain Mines were awarded its operating permit subject to a deposit of $5,000. with the B.C. Government for Land Reclamation. Although negotiations were commenced in 1967, no permit to discharge effluent and deposit tailings has been granted after three applications.

Ore reserves on December 31, 1969 (as calculated by mine office engineering department), are 156,565 tons of probable ore grading 0.31% MoS_2. With the addition of possible ore in the "C" and "D" Zones, the tonnage would augment to 316,560 tons grading .36% MoS_2.

PIT DEVELOPMENT: In addition to ore requirements the drilling crew excavated 51,900 tons of strip waste from the pits and drilled 7,500 lin. ft. on development roads. This work was required to provide access benches to Lower "B" Zone, strip 20 ft. of waste from the Upper "B" orebody and provide a road system from two orebodies totalling some 4,300 lin. feet.

A total of 5.1 acres of timber clearing was done on two pit sites by contractor. Overburden stripping, which is quite a problem, is 50% completed on the Upper "A" Pit.

MINING: Ore feed was all from the Lower "B" Pit except for 12,000 tons mined and hauled from the north end of the Upper "B" Pit.

Full ownership of the drilling equipment was obtained in April after making the 36th payment. Maintenance was necessary on both the air trac and compressor to restore these machines to their peak performance at a cost of $11,000.

The load and haul equipment transported 257,362 tons of rock from pits exclusive of filter material for the dam, and road dressing. Over 550,000 tons have been hauled with this equipment since purchase in March, 1968, at a cost of $0.28 per ton hauled.

Test hole sampling was perfected and utilized to advantage in providing accurate cut off in bench mining.

MILLING: (a) Crushing — The lowest temperature on record was experienced in January, 1969. The thermometer registered 40 below zero for five continuous days. No pro-

vision to heat the crusher house had been made by the design engineers and it almost ceased to function.

Necessary repairs were done to make the circuit functional and several changes were made to improve the operation and insure against future cold weather problems.

A finer ball mill feed was required from July 1st, and the cone crusher was set up to provide this product. Therefore, size reduction of feed took priority over production rates especially since capacity is inadequate from one shift per day crushing.

The dust collecting system was revamped to allow a reduction in fan speed which in turn resulted in a reduced solids discharge from the stack. A new conveying unit was installed on the cyclone discharge which guaranteed positive performance under snow and ice conditions.

(b) Concentrator — The tricone mill liners were replaced in May for the first time since start up representing a life of 510,000 tons.

In November, mill speed was increased from 60 to 70% of critical by changing the pinions to provide increased grinding capacity.

Plant availability was excellent at 96.9% but production rate changed from 25.0 T.P. Hr in mid year to 24.1 T.P. Hr for the 12 month period.

Despite periods of sliming ore conditions, the plant produced a uniform product at a recovery rate of 87.2%.

A minor flow sheet change of recirculating the No. 2 rougher heads to conditioning rather than to the regrind circuit has assisted in upgrading the mill product during periods of sliming ores.

Heat from the mill furnace was conducted to fine ore bin tunnel and improved the performance of the control chutes in December.

In the product drying section, a second oil heating circuit was placed in series with the existing unit thereby eliminating previous problems.

TAILINGS DISPOSAL: Some trouble was encountered with the 24" Jumbo Creek by-pass culvert during the heavy spring run off. The pipe was rebedded and loaded with waste rock to ensure a stable position in the future.

The dam crest was raised to elevation 4235 and the by-pass culvert extended up stream to match this crest.

The Good Friday dam has sufficient freeboard to be used for emergencies.

GENERAL: Most miscellaneous items were of sufficient importance to be outlined in the introductory paragraph, including remarks on the labour contract.

CONCLUSION: In the past, insufficient exploration work has been scheduled to provide pit areas for mill feed. Drilling in 1969 has only defined areas previously indicated in 1965-1966. These shallow seated occurrences have become smaller in size than the initial pits and, require more development time per ton of ore exposed.

All probable ore zones are expected to be profitable, with the exception of the Upper "B" which may be marginal in grade. Regardless, this marginal ore must be included to meet the critical path schedule limited by equipment capacity.

Sufficient readily available ore is in sight to continue milling operations until mid-October 1970 after which a new ore source must be available to continue mill operations.

I wish here to record my appreciation of the co-operation and efforts of the staff.

B. C. Fillingham, Manager,
Red Mountain Mines Limited

RED MOUNTAIN MINES OPERATING, FINANCIAL STATISTICS

OPERATING

	1969	1968	1967
Development	$ 0.42	$ 0.31	$ 0.18
Mining	0.93	0.93	0.86
Milling	2.28	2.17	2.62
General, Mine Office	1.02	.95	1.11
Total cost ton milled	$ 4.65	$ 4.36	$ 4.77
Milled tons	201,542	196,397	159,711
Grade, % MoS_2	0.35	0.28	0.42
Recovery, %	87.25	82.7	84.6
MoS_2 produced, Lbs.	1,232,582	916,817	1,136,956

Plant ledger value increased $14,626. in 1969 to $2,092,070.

ORE RESERVES

		Dec. 31/68		Mined in 1969			
Description	Classification	Grade	Tons	Grade	Tons	Grade	Tons
Main "A"	Completed						
Upper "A"	Probable	.33	75,000[2]			.33	100,000
Lower "B"	Probable	.316	182,215[1]	.348	191,402	.40	12,200[2]
Upper "B"	Probable			.388	12,049	.25	44,360
TOTAL Probable		.320	257,215	.350	203,451	.31	156,560
Upper "A"							
Upper "B"	Possible	.34	147,434[3]				
"C"	Possible					.40	140,000[4]
"D"	Possible					.40	20,000[5]
TOTAL Possible						.40	160,000
TOTAL All Classifications		.328	479,649		203,451	.36	316,560

(1) Good grade ore in excess of that indicated by diamond drill holes was found on No. 6 and 7 Benches. The reserve for 1970 represents No. 7 Bench ore which requires additional mining in waste to make available. The net increase from 1968 estimates is 21,387

(2) A series of diamond drill holes extended the orebody south increasing 1968 estimates by 25,000

(3) The drilling and mapping program changed the entire concept of this occurrence disproving any ore continuance between previous grouping of drill holes. After changing classification from possible to probable, the decrease in tonnage estimates is 91,025

(4) Preliminary drilling has indicated a new extensive ore occurrence at greater depth.

(5) A small occurrence which outcrops on surface over a small area and has an unusual attitude. Waste rock stripping is required to mine this.

DIAMOND DRILLING	PERCUSSION
40 holes — 3,712 ft.	72 holes — 4,604 ft.

CONSOLIDATED CANADIAN FARADAY LIMITED
(Incorporated under the laws of Ontario)
and consolidated subsidiaries

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1969
(with comparative figures at December 31, 1968)

ASSETS

	1969	1968
CURRENT ASSETS		
Cash and short-term deposits	$ 124,104	$ 457,381
Accounts receivable	59,840	109,581
Outstanding settlements and concentrates, at estimated net realizable value, less advances	410,207	941,410
Supplies and other prepaid expenses	406,833	397,486
	1,000,984	1,905,858
INVESTMENT IN SHARES OF NON-CONSOLIDATED SUBSIDIARY COMPANIES, at cost	36,400	36,403
OTHER INVESTMENTS (notes 2 and 6)	3,871,066	2,288,690
FIXED ASSETS		
Buildings, plant and equipment, at cost	11,024,184	10,803,310
Less accumulated depreciation	8,815,696	8,424,640
	2,208,488	2,378,670
Mining claims, rights, properties and leases, at cost less accumulated depletion of $409,609 (note 3)	464,601	485,169
	2,673,089	2,863,839
OTHER ASSETS (including mortgage receivable from director $27,800)	314,617	472,607
	$ 7,896,156	$ 7,567,397

LIABILITIES

	1969	1968
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 277,425	$ 414,826
7½% Convertible notes (note 4)		1,500,000
	277,425	1,914,826
6½% MORTGAGE payable in instalments to September 1, 1976, less current portion included in accounts payable	137,410	156,649
	414,835	2,071,475

SHAREHOLDERS' EQUITY

	1969	1968
CAPITAL STOCK (note 5)		
Authorized — 5,000,000 shares of no par value (40,625 reserved for stock options; 68,542 in 1968)		
Issued — 3,421,300 shares (2,548,681 shares in 1968)	6,459,747	3,430,148
CONTRIBUTED SURPLUS	1,506,061	1,506,061
RETAINED EARNINGS (DEFICIT)	(484,487)	559,713
	7,481,321	5,495,922

Approved by the Board:

W. CLARKE CAMPBELL, Director.

JULES LOEB, Director.

	$ 7,896,156	$ 7,567,397

COMMITMENTS AND CONTINGENCIES (note 9)

AUDITORS' REPORT

To the Shareholders of Consolidated Canadian Faraday Limited

We have examined the consolidated balance sheet of Consolidated Canadian Faraday Limited and consolidated subsidiaries as at December 31, 1969 and the consolidated statements of income, retained earnings (deficit) and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
February 27, 1970

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants

CONSOLIDATED CANADIAN FARADAY LIMITED
and consolidated subsidiaries

CONSOLIDATED STATEMENT OF INCOME

Year Ended December 31, 1969

(with comparative figures for 1968)

	1969	1968
Production of concentrates	$2,326,789	$3,330,332
Rental and other income	318,524	208,298
	2,645,313	3,538,630
Operating expenses (including mortgage interest of $11,400 in 1969 and $13,000 in 1968)	2,809,853	3,507,364
	(164,540)	31,266
Depreciation	428,851	414,275
Amortization of deferred development expenditures	65,244	84,534
	494,095	498,809
Loss before undernoted items	658,635	467,543
Financing expenses	79,941	108,369
Outside exploration	130,954	282,354
Allowance for losses		
Non-consolidated subsidiaries	3	2,000
Other investments	154,099	979,680
Cost of mining claims abandoned	20,568	63,625
	385,565	1,436,028
Loss for the year (notes 7 and 8)	$1,044,200	$1,903,571

CONSOLIDATED STATEMENT OF RETAINED EARNINGS (Deficit)

Year Ended December 31, 1969

(with comparative figures for 1968)

	1969	1968
Retained earnings at beginning of year	$ 559,713	$2,463,284
Loss for the year	1,044,200	1,903,571
Retained earnings (deficit) at end of year	$ (484,487)	$ 559,713

CONSOLIDATED CANADIAN FARADAY LIMITED
and consolidated subsidiaries

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year Ended December 31, 1969

(with comparative figures for 1968)

	1969	1968
Source of funds		
Proceeds from sale of investments		$ 446,419
Issue of common shares (note 5)	$3,029,599	32,915
Other	76,484	65,751
	3,106,083	545,085
Application of funds		
Operations		
Loss for the year	1,044,200	1,903,571
Deduct depreciation, amortization and other items not involving current funds	739,567	1,549,967
	304,633	353,604
Advances to other companies, net	1,736,371	1,317,796
Additions to fixed assets	282,346	333,468
Purchase of investments	104	59,876
Other	50,102	113,249
	2,373,556	2,177,993
Increase (decrease) in working capital position	732,527	(1,632,908)
Working capital (deficiency) at beginning of year	(8,968)	1,623,940
Working capital (deficiency) at end of year	$ 723,559	$ (8,968)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 1969

1. BASIS OF CONSOLIDATION

These financial statements consolidate the accounts of the following wholly-owned subsidiaries: N M C Securities Limited, Bancroft Holdings Limited, F M L Securities Limited, Waterfront Developments Limited, Farida, Inc., and Faramines, Inc.

Greenoaks Mines Limited (53.06% owned) for which audited financial statements are not available and which is not material, is not included in the consolidation. This company is not presently active and its principal asset is mining claims. The affairs of Remtrol Limited (100% owned) were wound up during 1969 and its charter is to be surrendered. The loss incurred had been fully provided for in prior years.

2. OTHER INVESTMENTS

These may be summarized as follows:

	Advances	Shares not in excess of cost	Allowance for losses	Total	Quoted market value
Companies for which there is a quoted market value		$ 607,027		$ 607,027	$ 582,587
Companies for which there is no quoted market value		206,659		206,659	
Henrietta Mines Limited (convertible debentures)	$ 100,000			100,000	
				913,686	
Allowance for loss on above investments			$ (330,750)	(330,750)	
				582,936	
Closely held companies:					
Prairie Potash Mines Limited .		180,000		180,000	
Dumbarton Mines Limited ...	2,908,026	103		2,908,129	
Red Mountain Mines Limited (6% income debentures)	979,680	1	(779,680)	200,001	
	$3,987,706	$ 993,790	$(1,110,430)	$3,871,066	$ 582,587
1968 totals	$2,251,334	$1,017,036	$ (979,680)	$2,288,690	$ 565,656

These include instances of large share holdings where quoted market values are not necessarily indicative of amounts which might be realized if the shares were to be sold.

Included in the quoted market value is $155,004 ($143,695 in 1968) representing escrowed shares which have been valued at 50% of the quoted market value of free shares.

3. DEPRECIATION, DEPLETION AND AMORTIZATION POLICY

(a) Depreciation

To December 31, 1968 depreciation was provided on the cost of fixed assets based on an

estimated 10 year life of the Werner Lake mine. Commencing in 1969 depreciation is being provided on a basis that will write off the net book value of the mine assets over the remaining life of the Werner Lake orebody and the net book value of the mill assets over the life of the Maskwa orebody.

(b) Depletion

It is not common practice in Canada for mining companies to make provision for depletion of mining claims, rights, properties and leases and the company's present policy is to not make any provision in its accounts. Prior to amalgamation, one of the constituent companies did provide for depletion to the extent of $409,609, which is still carried in the accounts.

(c) Amortization

Deferred development costs are amortized on a straight line basis at 25% per annum on cost. On this basis the balance of $43,640 will be fully amortized by December 31, 1971.

4. 7½% CONVERTIBLE NOTES

To finance the preparation for mining of the Maskwa nickel-copper deposit adjacent to the company's existing Werner Lake mine, the notes were issued November 8, 1968 at a 5% discount to mature August 31, 1969. Of the $1,500,000 issued $1,230,647 was retired out of the proceeds of a rights offering to shareholders. The note-holders exercised their right to convert into shares at the subscription price for the balance of $269,353 (see note 5).

5. CAPITAL STOCK

(a) By Supplementary Letters Patent dated July 2, 1969 the authorized capital of the company was increased from 3,500,000 to 5,000,000 shares of no par value.

(b) Issued

	No. of shares	Stated value
Balance, December 31, 1967	2,535,765	$3,397,233
In 1968		
For cash, pursuant to option plans	12,916	32,915
Balance, December 31, 1968	2,548,681	3,430,148
In 1969		
For cash		
Pursuant to rights offering of one share at $3.50 for every three held	767,744	2,688,328
Pursuant to option plans	27,917	71,918
Upon conversion of 7½% convertible notes	76,958	269,353
Balance, December 31, 1969	3,421,300	$6,459,747

(c) Incentive option plans for key officers and personnel
In 1969 options were exercised as follows:

	No. of shares	Stated value
At $2.50 per share	6,667	$ 16,668
At $2.60 per share	21,250	55,250
	27,917	$ 71,918

Options on 40,625 shares at $2.60 per share remain outstanding at December 31, 1969.

6. **DUMBARTON MINES LIMITED**

Pursuant to an agreement dated August 15, 1968 between Consolidated Canadian Faraday Limited and Maskwa Nickel Chrome Mines Limited each company owns 50% of the outstanding shares of Dumbarton. As required under the terms of the agreement Faraday has prepared Maskwa's nickel-copper deposit for production at a rate of at least 700 tons of ore per day and extended its own mill to process such ore. Faraday's advances for preparing the Maskwa mine for production and providing operating capital will be repaid from the cash flow and thereafter operating profits will be divided equally between Maskwa and Faraday. Capital expenditures of $498,573 incurred by Faraday in extending the capacity of its mill are repayable through an amortization charge per ton of Maskwa ore treated.

7. **PRODUCTION OF CONCENTRATES**

The production of ore was reduced to approximately 300 tons per day October 1, 1969 when Dumbarton Mines Limited commenced production. The combined ore is processed by Faraday with each company bearing its share of the expenses. The result of this has been to reduce the income derived from concentrate production from October 1, 1969 offset in part by a recovery of expenses charged to Dumbarton.

8. **INCOME TAXES**

The company has substantial depreciation, amortization and exploration expenditures available to offset taxable income of future years.

9. **COMMITMENTS AND CONTINGENCIES**

Pursuant to the terms of an agreement dated September 8, 1966 with Federal Resources Corporation, an unaffiliated company, that company was granted the right up to July 1, 1970 to investigate the commercial potential of the company's Bancroft (uranium) property. Up to the latter date Federal may elect to re-activate the property and purchase a 51% interest in it and provide certain operating funds. The company will retain a 49% interest. Under the terms of the agreement Federal has assumed responsibility for maintenance of the mine property.

The company has pledged its book debts as collateral for its guarantee of a bank loan to Dumbarton Mines Limited in the amount of $575,000 at December 31, 1969.

10. **OTHER STATUTORY INFORMATION**

Remuneration of directors and senior officers (as defined by The Corporations Act) amounts to $130,767 (1968, $140,308).

DUMBARTON MINES LIMITED

(Incorporated as a private company under the laws of Manitoba)

BALANCE SHEET—DECEMBER 31, 1969

(with comparative figures at December 31, 1968)

ASSETS

	1969	1968
CURRENT ASSETS		
Cash	$ 47,058	
Accounts receivable	16,593	$ 9,994
Outstanding settlements and concentrates, at estimated net realizable value less advances	684,215	
Supplies and other prepaid expenses	74,487	34,684
	822,353	44,678
FIXED ASSETS		
Buildings and equipment, at cost	1,483,974	627,414
Less accumulated depreciation	62,444	
	1,421,530	627,414
PREPRODUCTION EXPENDITURES	1,234,644	500,426
Less accumulated amortization	51,954	
	1,182,690	500,426
	$3,426,573	$1,172,518

LIABILITIES

	1969	1968
CURRENT LIABILITIES		
Bank loan, secured by assignment of book debts	$ 575,000	
Accounts payable and accrued liabilities	110,131	
Advances from Consolidated Canadian Faraday Limited (note 2)	2,908,026	$1,172,313
Total liabilities	3,593,157	1,172,313

CAPITAL STOCK AND DEFICIT

	1969	1968
CAPITAL STOCK		
Authorized and issued — 20,000 shares without par value	205	205
DEFICIT	166,789	
	(166,584)	205
	$3,426,573	$1,172,518

Approved by the Board:

W. CLARKE CAMPBELL, Director.

D. R. LOCHHEAD, Director.

CONSOLIDATED CANADIAN FARADAY LIMITED

ANNUAL REPORT 1969

Printed in Canada.

PROSPECTUS AR47

882,777 Common Shares
(without nominal or par value)

Consolidated Canadian Faraday Limited

This offering involves certain risk factors. See "Risk Factors."

As set forth herein, the Company is offering to its shareholders the right to subscribe for one additional Common Share for each three Common Shares held of record at the close of business on April 29, 1969, at a Subscription Price of $3.50 (Can.) or $3.25 (U.S.) a share. The Subscription Offer expires on May 28, 1969, at 4:30 P.M., prevailing time at the offices of the subscription agents set forth herein.

The offering of these Common Shares is not underwritten.

On April 29, 1969, the last sale prices of the Common Shares were $5.30 (Canadian) on the Toronto Stock Exchange and $5.50 (U.S.) on the American Stock Exchange. Unless otherwise indicated, all dollars expressed in this Prospectus are Canadian dollars, which, during the twelve months ended March 31, 1969, have ranged from $.9275 (U.S.) to $.9325 (U.S.).

NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS IN ANY WAY PASSED ON THE MERITS OF THE SECURITIES OFFERED HEREUNDER AND ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Subscription Price(1)	Underwriting Discounts and Commissions	Proceeds to Company(1)(2)
Per Share	$3.50 (Can.)	None	$3.50
Total	$3,089,719	None	$3,089,719(3)

(1) The Company will accept payment of the Subscription Price from subscribers resident in the United States at $3.25 United States funds, per share, being the equivalent of the Subscription Price in Canadian funds based on the exchange rate of April 29, 1969.

(2) Before deducting expenses payable by the Company, estimated at $106,000.

(3) The total amounts shown are based on the assumption that all of the Common Shares offered hereby are subscribed pursuant to the Subscription Offer.

Part of the proceeds of this offering will be used to retire a portion of 7½% Convertible Notes outstanding in the principal amount of $1,500,000 held by five purchasers, including two directors of the Company. See "Description of 7½% Convertible Notes" herein. A portion of the Notes may be converted into Common Shares and reoffered by the holders thereof. The Company may also offer certain of the unsubscribed shares to the public. However, prior to any reoffering of such shares this Prospectus will be amended to disclose the terms of such offering.

Certain purchases of rights, warrants and shares by a United States person may be subject to the Interest Equalization Tax at the rate of 11.25%. See "Offering to Common Shareholders — Application of United States Interest Equalization Tax."

The date of the Prospectus is April 30, 1969.

No person has been authorized to give any information or to make any representation other than those contained in this Prospectus in connection with the offer contained in this Prospectus and, if given or made, any such information or representation must not be relied upon as having been authorized by the Company. This Prospectus does not constitute an offering by any person in any province or state or other jurisdiction in which such offering may not lawfully be made.

Until June 9, 1969, all dealers effecting transactions in the registered securities, whether or not participating in this distribution, may be required to deliver a Prospectus. This is in addition to the obligation of dealers to deliver a Prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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RISK FACTORS

Consolidated Canadian Faraday Limited (the "Company") was incorporated by Letters Patent of Amalgamation dated May 4, 1967, under the laws of the Province of Ontario, Canada. The incorporation resulted from the amalgamation of The Canadian Faraday Corporation Limited and Augustus Exploration Limited into the Company, and the purchase by the Company of the assets of Metal Mines Limited. As a result of these transactions, the shareholders of the constituent companies received shares of the Company on the following basis: one share of the Company for each five shares of Augustus Exploration Limited; one share of the Company for each two shares of Metal Mines Limited; and one share of the Company for each share of The Canadian Faraday Corporation Limited. The head office of the Company is at 100 Adelaide Street West, Toronto, Canada.

All of the Company's officers and directors, and the experts referred to herein, are residents of Canada and a substantial portion of the Company's assets are located outside of the United States. As a result, it may be difficult for purchasers to effect service within the United States upon the Company or such directors, officers or experts, or to realize in the United States upon judgments of courts of the United States predicated upon civil liability under the Securities Act of 1933. The Company has been advised by its Canadian Counsel, Messrs. Day, Wilson, Campbell and Messrs. Manning, Bruce, MacDonald and MacIntosh, that there is substantial doubt as to the enforceability in Canada of liabilities predicated solely on the Securities Act of 1933.

The Company's principal mining operations, which have provided substantially all of its revenues in recent years, are currently operating at a loss. See "Business and Properties." The Company suffered net losses for each of the years 1965-1968, and had losses from operations in each of those years, except in 1967. See "Consolidated Statement of Operations."

The Company's progress of exploration and development in recent years has not been successful.

The Company has not paid any dividends since 1967, and it is unlikely that it will be in a position to do so in the foreseeable future.

Under the Canadian Income Tax Act, non-residents of Canada are subject to a 15% withholding tax in respect of dividends on the Common Shares. Subject to certain limitations the Canadian tax withheld may be taken as a credit against United States income taxes.

OFFERING TO COMMON SHAREHOLDERS

Offering to Shareholders: The Company hereby offers to holders of its outstanding Common Shares of record at the close of business on April 29, 1969, the right to subscribe at the Subscription Price set forth on the cover page of this Prospectus, for additional Common Shares (herein called "Additional Common Shares") at the rate of one Additional Common Share for each three Common Shares then held. The Company may offer unsubscribed shares to the public following expiration of the Subscription Offer. No such offering may be undertaken without the consent of the holders of the 7½% Convertible Notes and without amending the Prospectus by post-effective amendment to disclose the terms of such offering.

Expiration Date: The Subscription Offer will expire on May 28, 1969, at 4:30 P.M., prevailing time at the offices of the Subscription Agents set forth below.

Warrants: The rights to subscribe (herein called "Rights") are evidenced by fully transferable Warrants, each Warrant evidencing the total number of Rights to which the holder is entitled. Each shareholder is entitled to one Right for each Common Share held by him at the close of business on April 29, 1969, and three Rights are required in order to subscribe for one Additional Common Share. The Warrants may be divided and transferred and Rights may be combined at the offices of the Subscription Agents. The Canadian Subscription Agent is Guaranty Trust Company of Canada,

88 University Avenue, Toronto 1, Ontario, Canada. The United States Subscription Agent is Bank of Montreal Trust Company, 2 Wall Street, New York, New York 10005, U.S.A.

How to Subscribe: The Rights may be used to subscribe for Additional Common Shares by filling out and signing the subscription form on the Warrant and mailing or delivering it to a Subscription Agent, accompanied by payment in full of the Subscription Price, in either Canadian dollars or U.S. dollars, so as to be received at or before 4:30 P.M., prevailing time at the offices of the Subscription Agent set forth above, on the Expiration Date, May 28, 1969. Subscribers resident in Canada or elsewhere outside the United States should subscribe through Guaranty Trust Company of Canada and subscribers resident in the United States should subscribe through Bank of Montreal Trust Company. Payment of the Subscription Price should be by cheque, bank draft or postal or express money order payable to the order of the appropriate Subscription Agent or to the order of the Company. Cheques and other remittances must be payable at par at the location of the respective Subscription Agent. Subscriptions must be for full shares only. Fractional shares will not be issued. Certificates for Additional Common Shares will be issued as soon as practicable after subscription and payment of the Subscription Price.

Telegraphic Exercise of Rights: If at or before 4:30 P.M., prevailing time at the offices of the Subscription Agents set forth above, on the Expiration Date, May 28, 1969, a Subscription Agent shall have received the full Subscription Price by telegraphic transfer or otherwise, together with a guarantee in writing or by telegram from a bank or trust company or from a member firm of the Toronto, Montreal, Canadian, Vancouver, American or New York Stock Exchanges, that the Warrants will be promptly surrendered to a Subscription Agent, such subscription will be accepted subject to withholding delivery of the Additional Common Shares subscribed for until receipt of the duly exercised Warrants.

Purchase and Sale of Rights: Rights may be bought or sold through banks or brokers and it is anticipated will be admitted to trading on the Toronto, Canadian, Vancouver and American Stock Exchange. It is expected that trading in the Rights on these Exchanges will terminate at the close of business on May 28, 1969. The Subscription Agents will make purchases of up to two Rights in order to round out subscriptions for full shares. In addition, the Subscription Agents will also sell up to two Rights if requested. These services will be rendered by the Subscription Agents without service charge to the Warrant holders and are subject to the ability of the Subscription Agents to find a seller or purchaser of Rights, as the case may be. The Subscription Agents may offset buying and selling orders on the basis of market prices.

Application of United States Interest Equalization Tax: The Company has been advised by its United States counsel in connection with the application of, and exemption from, the United States Interest Equalization Tax Act (to which only United States persons, defined to include among others United States citizens or residents, are subject) as follows:

1. The receipt by shareholders from the Company of the Rights does not constitute an acquisition taxable under the Act. No filing need be made in connection with the receipt of the Rights.

2. Any purchase by a United States person of Rights will be subject to the Interest Equalization Tax at the rate of 11.25%* of the fair market value thereof (normally the purchase price), unless the Rights are (1) acquired from a United States person who furnishes the purchaser with a

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* The rate of 11.25% was in effect as of the date of this Prospectus. The President of the United States has authority to vary the rate between zero and 22½% by Executive Order with respect to purchases made after the date of such Order.

Validation Certificate issued by the United States Internal Revenue Service, or (2) acquired through or from a broker or dealer which (a) has been designated a "participating firm" by such Service and (b) issues an "IET clean confirmation" with respect to the Rights purchased.

3. The exercise of Rights by a shareholder is not taxable, being an acquisition from the issuer of an original or new issue of a Canadian security, provided United States persons file with the United States Commissioner of Internal Revenue a Notice of Acquisition on Form 3779 with respect to the Common Shares so acquired by the end of the month following the month in which such acquisition was made, if the exercise of the Rights is to be non-taxable.

4. Any purchase by a United States person of Common Shares, other than a purchase from the Company upon the exercise of Rights, will be subject to the Interest Equalization Tax at the rate of 11.25%* of the fair market value thereof (normally the purchase price), unless the conditions and formalities referred to under Paragraph 2 above are complied with.

As a result of the foregoing Validation Certificate requirements, a United States person may be required to obtain a Validation Certificate in order to sell Rights or Common Shares in the United States, on the American Stock Exchange or otherwise, on an "American-owned" basis; i.e. in a transaction in which a United States person as purchaser is not subject to Interest Equalization Tax. Accordingly, the sale of Rights by the United States Subscription Agent, referred to above under "Purchase and Sale of Rights", may have to be on a "foreign-owned" basis (in which event a lower price may be realized) unless the Warrant holder submits the necessary Validation Certificate with respect to such Rights.

USE OF PROCEEDS

The net proceeds from the sale of the additional Common Shares offered hereby are estimated at $2,983,719 after payment of expenses, assuming that all such shares are subscribed for. The Company expects to use the net proceeds to retire the $1,500,000 principal amount 7½% Convertible Notes of the Company, or such amount thereof as are not converted into shares of the Company in accordance with the terms of the Notes. There is no assurance that enough shares will be sold to shareholders to enable the Company to retire the Notes. To the extent that the proceeds from this offering are not sufficient to retire the Notes and if the Notes are not fully converted, the Company may have to seek other financing at the maturity date of the Notes to retire the Notes. There is no assurance that such financing can be obtained. The 7½% Convertible Notes were issued on November 8, 1968, to finance the Maskwa Project (see "Business and Properties — The Maskwa Project", and "Description of 7½% Convertible Notes"), mature on August 31, 1969, and may be renewed for a further term not to exceed nine months. To the extent that authorized and unissued Common Shares of the Company are available, the Noteholders have the right, on termination of the Subscription Offer until the maturity date of the Notes, to convert the Notes and purchase shares at the Subscription Price set forth on the Cover Page. With the consent of the Noteholders, the Company may sell the shares into which the Notes may be converted to an underwriter or underwriters at the expiration of the Subscription Offer. The balance of the proceeds, if any, will be used in connection with the Maskwa Project, which the Company estimates will require additional expenditures of $500,000, to repay a short-term bank loan aggregating $220,000, recently incurred in connection with the Maskwa Project, and for general working capital purposes. The Company is actively engaged in a number of exploration projects and depending upon the results of such exploration projects, additional funds may be required in the near future for the development of one or more of these projects.

PRICE RANGE OF COMMON SHARES

The Common Shares of the Company are listed on the Toronto, Canadian, Vancouver and American Stock Exchanges. The most active market is the American Stock Exchange. The following table indicates the high and low sales prices for the Common Shares in Canadian and U.S. dollars on the Toronto and American Stock Exchanges, respectively, during the periods indicated as reported by The Commercial and Financial Chronicle.

	Toronto Stock Exchange* (Canadian Dollars)		American Stock Exchange* (U.S. Dollars)	
Year	**High**	**Low**	**High**	**Low**
1964	$3.25	$2.25	$3 3/16	$1 3/4
1965	4.20	2.85	4	2 5/8
1966	4.15	2.20	4 9/16	1 15/16
1967	3.65	2.35	4 1/8	2 1/4
1968	5.05	2.80	6 7/16	3
1969 (through April 10)	6.40	4.60	7 1/2	5 1/4

* Since the date of application of the United States Interest Equalization Tax, prices on the American Stock Exchange represent transactions accompanied by documents establishing United States ownership. Prices on the Toronto Stock Exchange reflect transactions not accompanied by such documents.

The closing sale prices of the Common Shares on the Toronto and American Stock Exchanges on April 29, 1969 were $5.30 (Canadian) and $5.50 (U. S.) per share, respectively.

CAPITALIZATION

The following table sets forth the capitalization of the Company and its consolidated subsidiaries as of March 31, 1969, and as adjusted to reflect the sale of the Additional Common Shares offered hereby, upon the assumption that all Additional Common Shares are subscribed for and issued and that the 7½% Convertible Notes are repaid or are fully converted in accordance with their terms or shares reserved therefor are issued to underwriters.

	Amount Authorized	Outstanding at March 31, 1969	Adjusted
Debt:			
7½% Convertible Notes due August 31, 1969(1)	$1,500,000	$1,500,000	$ —
6½% Mortgage Note due September 1, 1976	215,000	170,281	170,281
Capital Stock:			
Common Shares without par value	3,500,000 shs.	2,556,806 shs.(2)	3,439,583 shs.(2)(3)

(1) The Notes may be renewed for a term not to exceed nine months. See "Description of 7½% Convertible Notes".

(2) Does not include 60,417 shares reserved for issuance upon exercise of Stock Options. See "Management — Stock Options".

(3) The Company intends to ask shareholders at the next annual meeting to approve an increase in the authorized capital stock.

See Note 8 to Consolidated Financial Statements for information concerning the extent of obligations under leases of real property.

CONSOLIDATED STATEMENT OF OPERATIONS

(all amounts are stated in Canadian currency)

The following consolidated statements of operations for the five years ended December 31, 1968 have been examined by Thorne, Gunn, Helliwell & Christenson, Independent Chartered Accountants, as indicated in their report which appears elsewhere herein. The statement combines the results of operations of the constituent companies from January 1, 1964 until amalgamation, May 4, 1967, as if the amalgamation and purchase of assets described under "Risk Factors" had been consummated at the beginning of the period. See Note 1 to financial statements.

This statement of operations should be read in conjunction with the other financial statements, the related notes, and the reports of the accountants thereon.

	Year ended December 31				
	1964	1965	1966	1967	1968
Sale of concentrates(a)	$2,733,554	$3,040,285	$3,608,465	$3,912,069	$3,330,332
Profit (loss) on securities (net)	502,975	7,633	303,016	(5,528)	54,036
Rent					77,719(j)
	3,236,529	3,047,918	3,911,481	3,906,541	3,462,087
Operating expenses(b)	2,846,191	3,109,602	3,696,543	3,869,652	4,070,218
	390,338	(61,684)	214,938	36,889	(608,131)
Income (loss) from discontinued Bancroft uranium operations(c)	477,784	(46,367)	(45,959)	(8,000)	
	868,122	(108,051)	168,979	28,889	(608,131)
Interest earned (net)	60,139	69,271	69,560	69,452	32,219(i)
Income (loss) before undernoted items	928,261	(38,780)	238,539	98,341	(575,912)
Outside exploration	134,354	210,030	134,420	72,055	282,354
Write-down of investment in and advances to other companies	1,216	654	94,580		979,680(h)
Cost of mining claims abandoned	9,556	2,575	199,875	13,117	63,625
	145,126	213,259	428,875	85,172	1,325,659
Income (loss) before subsidiary losses and income taxes	783,135	(252,039)	(190,336)	13,169	(1,901,571)
Allowance for losses of subsidiaries, not consolidated:					
Trigon Associates Limited	194,500	135,000			
Others	48,775	22,312	72,767	36,491	2,000
	243,275	157,312	72,767	36,491	2,000
Income (loss) before income taxes	539,860	(409,351)	(263,103)	(23,322)	(1,903,571)
Income taxes(d)	201,434				
Income (loss) before extraordinary items	338,426	(409,351)	(263,103)	(23,322)	(1,903,571)
Extraordinary items(e)	801,886	(204,821)	(100,000)		
Net income (loss)	$1,140,312	$ (614,172)	$ (363,103)	$ (23,322)	$(1,903,571)
Per share based on 2,548,681 shares issued at December 31, 1968(g):					
Income (loss) before extraordinary items	$.13	$(.16)	$(.10)	$(.01)	$(.75)
Extraordinary items	.32	(.08)	(.04)		
Net income (loss)	$.45	$(.24)	$(.14)	$(.01)	$(.75)

NOTES:

(a) See "Business and Properties, Werner Lake Property" for information concerning the agreements pursuant to which substantially all concentrates have been sold since 1964.

(b) Includes depreciation of fixed assets and amortization of deferred development expenditures as follows: 1964, $344,415; 1965, $369,106; 1966, $390,797; 1967, $438,906; 1968, $498,809. See Note 3(a) to financial statements for the effect of the change in amortization of deferred development expenditures in 1967.

(c) Operations at the Bancroft uranium property were suspended in June, 1964. Subsequently expenditures were incurred in maintaining the remaining plant and facilities. See "Business and Properties, Bancroft Property" regarding the agreement with Federal Resources Corporation for potential resumption of operations.

(d) No income taxes have been payable because of the application of prior years' losses and other available allowances against otherwise taxable income. Allocation of taxes has been made on a "carry-forward" basis herein with the result that income taxes which otherwise would have been payable for the year ended December 31, 1964 have been offset by application of these losses and other allowances. The carry-forward credits have been included in extraordinary items. Additional deductions for depreciation, amortization and exploration expenses which are available as "carry-forward" deductions from future taxable income, under Canadian Tax Law, aggregate approximately $10,000,000, which if fully applied against future taxable income, would reduce future income taxes by approximately $5,000,000.

(e) Extraordinary items consisted of the following:

	1964	1965	1966
Proceeds from disposal of Bancroft property fixed assets, less tax effect of $312,235 in 1964 and $31,543 in 1965	$288,217	$ 48,636	
Income tax reductions resulting from tax credit carry forwards	513,669	31,543	
Provision for guarantee upon liquidation of Trigon Associates Limited		(285,000)	$(100,000)
	$801,886	$(204,821)	$(100,000)

(f) Reference should be made to Note 9 to consolidated financial statements for comparison of the amount shown above for net loss for the year ended December 31, 1967 and that in the published annual reports to shareholders.

(g) Changes in the issued shares of the constituent companies prior to the amalgamation, if placed on a comparable basis, would not have a material effect on the per share data as set forth. The change in the number of shares issued since the amalgamation was minor. Dividend per share data is not given since none have been paid subsequent to the amalgamation and the amounts paid by the respective constituent companies prior thereto are not relevant.

(h) Provision against advances to Red Mountain Mines Limited (See "Business and Properties.") $779,680; other, $200,000.

(i) After deducting $31,336 interest and discount on the 7½% Convertible Notes and $12,988 interest on the Farida mortgage. In 1969 the charge pertaining to the notes, computed to initial maturity in August, 1969 will aggregate $135,000. See Note 6 to financial statements regarding possible variation in maturity.

(j) Revenue of Farida, Inc. not previously consolidated. See Note 1 to financial statements.

The principal reasons for the continuing losses since 1965 are attributable to the termination of production in July 1964 of the Company's Bancroft Property due to lack of market for uranium. In addition, in recent years there has been an expanded program of exploration and development of mining properties and ventures which have not proved successful.

The following consolidated data with respect to the Company for the three months ended March 31, 1968, and March 31, 1969, are unaudited. However, in the opinion of the Company, all adjustments (which include only normal recurring adjustments) necessary to fairly present the consolidated results of operations for such periods have been included. The results for any interim period are not necessarily indicative of results for the entire fiscal year.

	Three Months Ended March 31,	
	1968	1969(a)
	(Unaudited)	(Unaudited)
Revenues	$1,032,889	$728,139
Operating expenses	1,053,817	938,196
Net loss	(20,928)	(210,057)
Net loss per share	(.01)	(.08)

(a) Reflects the reduction of tonnage and grade of ores produced from the Werner Lake mine, and interest and discount expense of the 7½% Convertible Notes.

BUSINESS AND PROPERTIES

The business and properties of the Company are described below. The principal properties of the Company are the Werner Lake nickel-copper mine together with the neighboring Maskwa property now being developed, the former uranium producing mine at Bancroft, Ontario, and the Red Mountain Mine in which the Company has a 20% interest. There have been no significant changes in mining conditions in the deposits being mined over the past several years, nor any changes contemplated, other than those mentioned below. The Werner Lake property has been the Company's main source of revenue since July 1964. Because of the decrease in the grade of ore mined, the Werner Lake property is currently operating at a loss. The Company's other principal mining operation, Red Mountain Mines Limited, is also currently operating at a loss.

Werner Lake Property

This property consists of 128 mining claims, substantially all of which are held in fee, aggregating 5,010 acres in the Gordon Lake area of the district of Kenora, Province of Ontario, situated in unorganized territory, approximately 135 miles east of the City of Winnipeg and 65 miles east of the Town of Lac du Bonnet, Province of Manitoba, the nearest railroad point. No other producing mines are located in the immediate area. A mining plant and concentrator having a demonstrated milling capacity on a 24-hour per day basis in excess of 19,000 tons of ore per month are located on the property. Since October 1962, the maximum actual monthly throughput has been 19,400 tons, achieved in March 1966. Average monthly throughput in 1968 has been 17,285 tons.

The mine has been developed through a vertical, three-compartment shaft, extending to a depth of 1,700 feet, with levels at 150-foot intervals. Ore has occurred in vein-like structures and in lenticular masses and is irregularly distributed over the vertical extent of the mine with the greatest known concentration being in the vicinity of the 1,350-foot level. The mine workings on the bottom-most 1,650-foot level underlie higher mine levels that have developed substantial ore reserves; however, only minor amounts of mineable ore have been found on the 1,650-foot level on which approximately 60% of the known favourable zone has been explored. It is possible that no additional ore will be found below the present mine bottom. No work is currently taking place on the 1,650-foot level, but drifting east and west is being carried forward on other levels. These headings are all currently in waste but the Company intends to carry out additional work, the extent of which will be dependent upon the results of such work. The ore reserves at December 31, 1968, were estimated as follows:

Category	Tons	Nickel, %
Proven Ore	357,180	1.08%
Probable Ore	236,088	1.13%
	593,268	1.10%

Proven ore refers to a body of ore so extensively sampled that the risk of failure in continuity of the ore in such body is reduced to a minimum; probable ore refers to ore as to which the risk of failure in continuity is greater than for proven ore, but as to which there is a sufficient basis for assuming continuity of the ore. Since copper assays are not routinely run on mine samples, no copper grade has been assigned to the reserves. However, copper grades have averaged 45% of the nickel grade with reasonable consistency. Thus, for a grade of 1.10% nickel, a copper grade of 0.50% would be probable. There is also a content of platinum and palladium in the ore which since

1963 has returned an average net value of approximately $1.20 per ton. At the present time, the ore reserves are appreciably lower both in tonnage and grade than they were at the same time last year. There is no assurance that additional reserves will be discovered. In view of the marginal nature of the Werner Lake property, there is presently no means of estimating the extent to which the above-stated tonnages will be mined.

The concentrates are sold to The International Nickel Company of Canada, Limited ("International Nickel") under a five-year contract terminating in September 1972. Ore reserves at present and planned milling rates are probably insufficient to permit continuance of production until this date and there is no assurance that additional reserves will be found; however, there is no penalty for failure to continue delivery of concentrates until the termination date. Should additional reserves be discovered, permitting production beyond the limits of the contract, concentrates produced must first be offered to International Nickel which may at its option elect to purchase such concentrates. In the event that International Nickel elects not to purchase such further production, it is possible that no other commercial outlet for the concentrates could be found, in which event the then remaining reserves would not be mined. The contract with International Nickel calls for the delivery of concentrates with an approximate average content of 10% nickel and 5% copper, which conforms closely to current production grade. The Company is required to deliver to International Nickel all of its production of nickel-copper concentrate derived from the Werner Lake operation without limitation as to quantity. The contract contains a provision permitting the treatment of ores other than from the Werner Lake mine in the Werner Lake mill and the delivery thereof to a third party. (See "Maskwa Project" below). Prices paid for the nickel, copper and platinum group metal content of the concentrates are based on prevailing world prices for these metals, less the usual reductions for smelting and treatment charges.

The mill was first turned over in October 1962, and since the beginning of 1963 has continued in normal operation. Production data for the years 1963 through 1968 are as follows:

Year	Tons of Ore Milled	Ore Grade		Net Amount Received Per Ton of Ore Milled	Operating Cost Per Ton of Ore Milled	Other Costs Per Ton of Ore Milled*
		Nickel	Copper			
1963	136,970	1.37%	0.56%	$14.91	$13.09	$2.99
1964	192,874	1.22%	0.57%	$14.17	$12.33	$1.95
1965	184,364	1.36%	0.64%	$16.49	$14.00	$1.97
1966	211,228	1.26%	0.60%	$17.06	$14.95	$1.81
1967	214,536	1.17%	0.58%	$18.24	$15.95	$2.03
1968	204,417	1.05%	0.53%	$16.05	$16.89	$2.38

* Includes bond interest, depletion, depreciation and amortization of deferred development.

It is not common practice in Canada for mining companies to make provision for depletion of mining claims, rights, properties and leases and it is the Company's policy not to make any such provision in its accounts. No corporate income taxes with respect to the property have been payable to date and, because of carry-forward deductions, it is not believed that any tax with respect to the property will be payable in the near future. See Note (e) to Consolidated Statement of Operations.

Neither the rate of production nor the grade of ore has reached the originally projected goals, due in large part to unexpected mining difficulties during the first two years of operation and to a shortage of competent miners, a problem common to many mining areas of Canada, for which no

solution is in sight. The current decrease in the grade of the ore reserves is attributable to the approaching exhaustion of some of the original higher-grade ore bodies. In addition, grade of ore treated has been lower for the further reason that the cut and fill shrinkage mining methods which have predominantly been used to date are being replaced by long-hole sub-level mining methods which have since 1964 been used to a limited extent. This latter method has demonstrated lower mining costs. In view of the declining grade of the ore reserves, it is necessary to lower costs; it is contemplated that the change in mining methods and the increase in concentrator throughput, discussed below under "Maskwa Project", will result in lower costs. There is no assurance, however, that such lower cost will actually be achieved.

The concentrator employs standard froth flotation methods to produce a single concentrate carrying the nickel, copper and platinum group metals. These concentrates are transported by truck to Lac du Bonnet, Manitoba, and from there, 900 miles by Canadian Pacific Railway to International Nickel's smelter at Clarabelle, a suburb of Sudbury, Ontario. The mining and milling plant employ approximately 200 men who are housed on property leased to them at nominal rentals by the Company.

Substantially all of the Company's revenue since July 1964 has been derived from the Werner Lake property.

Bancroft Property

This property consists of the former uranium-producing property and mining plant known as the Faraday Mine, which was closed down in July 1964 due to lack of a market for uranium. As discussed below, Federal Resources Corporation ("Federal") of Salt Lake City, Utah has agreed to carry out further exploration of the property and, if warranted, to resume production. Federal is currently carrying out a program of underground exploration.

The mine is situated in the Township of Faraday, Hastings County, Province of Ontario, approximately 150 miles northeast of Toronto. The area is served by all-weather highways, and the Village of Bancroft, 4½ miles away, is served by the Canadian National Railway. At December 31, 1968, the property consisted of 4,876 acres, divided as follows:

Mining and Surface Rights — by Patent or Lease	1,552 acres
Mining Rights only, by Patent or Lease	1,693 acres
Mining Rights by Lease, with Option to Purchase	853 acres
Surface Rights only	778 acres
	4,876 acres

Both surface and mining rights are held to the property containing the mine workings on which the Company constructed mining and milling facilities in 1957. The mine was developed during the years 1956 and 1957 through a vertical shaft extending from the surface to a depth of approximately 1,400 feet with levels at 150-foot intervals. The ore occurred in irregular masses with considerable variations in shape and attitude. Shrinkage, cut-and-fill, and open-stoping methods were employed. Construction of a concentrator with a rated capacity (on a 24 hour per day basis) of 1,400 tons was completed early in 1957 and production was continuous from that year until June 1964. The concentrator was operated for periods of one year or more at or slightly above the rated capacity, but for the most part, and particularly toward the end of the productive period, at lower rates averaging approximately 1,000 tons per day, in order to conform to delivery schedules. During the period of operation, 2,957,715 tons of ore were mined and milled for a production of 5,807,692 pounds of U_3O_8 (uranium

oxide). Average operating cost per pound of U_3O_8 produced was $4.75, exclusive of bond interest, depreciation, amortization of pre-production development (averaging $0.64 per pound U_3O_8), and corporate income tax. Average operating cost was higher than that of substantially all other Canadian producers because of the nature of the deposit and concomitant high development costs. Operations were suspended upon completion of all uranium sales contracts in June 1964. The mine was allowed to flood and most of the mining and crushing equipment was sold but virtually all of the concentrator equipment is intact, except for piping and wiring, which was partially dismantled. All of the production buildings have been retained.

The ore bodies found at this property were irregular in shape and discontinuous, making exploration and accurate ore estimation difficult. However, upon termination of operations in 1964, the mine workings down to the 1,050-foot level (150 feet above the 1,200-foot level, the lowest level on which any substantial development work was conducted) had been sufficiently explored to prepare estimates of tons of uranium mineralization of a grade somewhat better than that of the ore mined prior to the shutdown. Based on this work, the estimated tonnage is 290,450 tons averaging 0.13% U_3O_8. At the time of shutdown, exploratory work on the lowest, partially developed 1,200-foot level had not been sufficient to permit reliable tonnage and grade estimates. However, a substantial number of drill hole intersections of the mineral structure give widths and grades comparable to those on and above the 1,050-foot level. Development work is currently being carried out by Federal on the 1,050 and 1,200-foot levels and new intersections of uranium mineralization have been made in drifting, raising and diamond drilling. Federal has reported to the Company that their work has added substantially to the estimated tonnages of uranium mineral but the Company has not attempted to verify this report. The extent to which the presently estimated tonnage of uranium bearing material may be mined depends, among other things, on future economic conditions affecting uranium mining, including the ability to obtain favorable sales contracts in competition with producers having a higher grade of ore and more uniform ore bodies. At the present time there is no sure market for the U_3O_8 contained in the ore.

In September 1966, Metal Mines Limited (a predecessor company), granted to Federal the right to elect to dewater the workings and conduct such operations as might reasonably be determined to ascertain the existence, nature and extent of any orebody or orebodies and to sample, diamond drill or otherwise explore for additional ore bodies. Federal exercised this right on January 1, 1967 and agreed to spend at least an average of $30,000 per month up to an aggregate of $1,300,000 during the period July 1, 1967 to July 1, 1970 in dewatering, exploration and development operations. The Company has been advised by Federal that it has spent in excess of $500,000 on the project and that it is currently spending approximately $40,000 per month. At any time during this exploration period, Federal may discontinue its exploration and development operations and consider the commencement of mining production. In the event that the Company disagrees with this decision by Federal the dispute will be resolved by an independent mining engineering firm. Prior to July 1, 1970, Federal must elect either to terminate the agreement and release all rights to the Company or join with the Company in the formation of a new corporation in which event the Company would transfer the properties and facilities of the mine to the new corporation in return for 49% of the capital stock of the new corporation and $1,000,000 payable out of production. Federal would purchase 51% of the capital stock of the new corporation for $1,000,000 and would also be required to provide to the new corporation, such funds (estimated at $3,240,000) as might be necessary to place the property into production at a minimum rate of 1,000 tons-per-day. The new corporation might be required to secure such loans by a first mortgage, pledge or charge of its assets and undertakings. After repayment of the monies provided by Federal for production, the cash consideration of $1,000,000 payable to the Company on

the sale to the corporation of its mining properties and the amounts expended by Federal during the exploration and development period would be repaid to the Company and Federal respectively, out of a minimum of 60% of the net cash flow of the new corporation. After repayment of all obligations and provision for adequate working capital and management fees, all further profits of such corporation would be disbursed pro rata to the Company and Federal by way of dividends.

Under the terms of this agreement, Federal has completed dewatering of the mine. No significant damage to the underground workings occurred due to flooding. Services have been reestablished in the shaft and development work, including cross-cutting, drifting, raising and diamond drilling is proceeding. The Company has no information with respect to Federal's future plans for the property.

Red Mountain Mines Limited

Red Mountain Mines Limited ("Red Mountain"), a private company incorporated under the laws of the Province of British Columbia, has two classes of common stock outstanding. Class A shareholders elect two of the Company's five directors; Class B shareholders elect three directors. All of the Class A shares are held by Torwest Resources (1962) Ltd., the vendor of the property; the Class B shares (acquired in May 1965) are held equally by the Company and Canadian Nickel Company Limited ("Canadian Nickel"), a wholly-owned subsidiary of International Nickel, and constitute 40% of the outstanding common stock. Other than in the election of directors, the two classes of shares rank pari passu in all respects. A. W. Johnston, President of the Company, is President of Red Mountain and H. Brodie Hicks, Vice-President, is its Managing Director.

Between 1964 and 1966 Canadian Nickel and the Company each advanced $1,020,000 for capital expenditures required to place the property into production. For these advances, Canadian Nickel and the Company received 6% Income Debentures, repayable from 80% of the distributable profits of Red Mountain, if any. Canadian Nickel and the Company have each received repayment of $92,628, the last such payment having been made in August 1967.

Red Mountain produces molybdenite (a molybdenum sulphide, MoS_2) concentrates from the property situated 1½ miles north and west of the Town of Rossland, in southern British Columbia. The property consists of 20 mining claims held under various forms of tenure. All of the known ore reserves are situated on the Coxey Claim, wholly-owned by Red Mountain; the concentrator is situated on property presently leased from the Province of British Columbia pending completion of purchase arrangements. The mine is operated by normal open-pit-methods. The concentrator, with an original rated capacity of 400 tons per-day (on a 24-hour basis), has been enlarged through installation of additional equipment to a present rated capacity of 615 tons per-day. Maximum actual throughput in any one month has been 18,476 tons, attained in July 1968; the average monthly throughput during the last six months of 1968 was 16,866 tons. The concentrator employs froth flotation to produce a concentrate with an approximate average content of 90% molybdenite, which is within normal specifications for this material. The concentrator commenced operation in May 1966, and attained approximate full production in July 1966. Results of Red Mountain's operations since that date are as follows:

Period	Tons Milled	Grade % MoS_2	Lbs. MoS_2 Produced	Amount Received Per Ton	Operating Cost Per Ton	Other Costs Per Ton of Ore Milled*
1966 (July-December)	67,102	0.43	471,493	$10.09	$5.32	$3.55
1967	159,711	0.42	1,136,956	$ 7.68	$5.00	$2.87
1968	196,397	0.28	916,817	$ 4.83	$4.53	$2.44

* Includes bond interest, depreciation, and amortization of deferred development.

Red Mountain is exempt from Canadian Income tax until June 1, 1969, and thereafter will have sufficient available write-offs to remain tax free for a further period dependent on amount of future profits. The declining profit margin and the losses in operation are attributable to a lower grade of ore and to the lower price received per pound. Average price received per pound of molybdenite was $1.44 in 1966, $1.08 in 1967 and $1.03 in 1968. The present price as published in the "*Engineering and Mining Journal*" (*E. & M. J.*) is the equivalent of $1.03 per pound of Molybdenite. It is apparent that within the framework of the present ore reserves the indebtedness to Canadian Nickel and to the Company will not be met. However, exploration is continuing in a search for additional ore.

International Nickel has agreed to purchase the whole of the concentrate produced, up to 2,000,000 pounds of MoS_2 per annum, until December 31, 1971, with options for renewal for further periods of five years. Price to be paid for the MoS_2 in the concentrate is to be the averages of the prices for MoS_2 as published in the *E. & M. J.* for the 90-day period immediately preceding the date upon which each lot is received by International Nickel, with no deductions. For the period from the commencement of commercial production to the end of the calendar year 1967, International Nickel waived its right to purchase the concentrates and, for this period only, purchase contracts were completed with Continental Ore Corporation of New York, at prices above the *E. & M. J.* quotations. The concentrates are packed in steel drums and payment is made f.o.b. rail cars at Trail, British Columbia, eight miles from the mining property. Ore reserves as at December 31, 1968, are estimated as follows:

Category	Tons	Molybdenite, %
Proven Ore	182,215	0.32
Probable Ore	358,938	0.28
	541,153	0.29

In view of the marginal nature of the operation, there are no means of estimating the extent to which these tonnages will be mined.

The property has not been fully explored, and it is the intention of Red Mountain to carry out broad additional exploratory work.

Prairie Potash Mines Limited

The Company owns approximately 33% of the outstanding capital stock of Prairie Potash Mines Limited ("Prairie Potash"). A. W. Johnston and H. Brodie Hicks are President and Vice-President, respectively, of Prairie Potash. Canadian Nickel owns in excess of 54% of the issued capital stock and may elect a majority of the Board of Directors and assume management and control at any time. Additionally, at any time on or before February 12, 1970, Canadian Nickel has the right to subscribe for additional number of shares of Prairie Potash so that it will own not less than 66⅔% of the outstanding stock of Prairie Potash.

Prairie Potash holds potash rights covering 70,777 acres in the Province of Manitoba, immediately adjacent to the boundary with the Province of Saskatchewan, and approximately 40 miles northwest of the Town of Virden, Manitoba. Since 1964, Prairie Potash has spent $794,538 in payment for rights, in drilling and in engineering and feasibility studies. Fifteen holes have been drilled, using standard potash exploration equipment, to the potash horizon which lies at a depth of some 3,000 feet below surface.

Spacing between holes has been from 1½ miles to 2 miles. On the basis of the drilling, 465,000,000 tons of potash-bearing material in the form of sylvite have been outlined with an average grade of 21.7% potassium oxide (K_2O) equivalent. It is estimated that 35% of this material, or 163,000,000 tons, would be recoverable by standard underground mining methods under favorable economic conditions for mining this ore. Assuming a recovery of 94% in the concentrator, it would require 2.94 tons of ore to produce one ton of finished product containing the equivalent of 60% K_2O, a standard, commercial product. The average thickness of the potash bearing material is 7.3 feet. The grade is substantially lower than that of some similar deposits currently being mined in Saskatchewan. Should economic conditions affecting potash mining, milling and marketing permit exploitation of the deposit, it would be necessary to sink one or more production shafts to the potash horizon at an approximate depth of 3,000 feet. In so doing, it would be necessary to sink through a heavily saturated water-bearing horizon, which has presented certain difficulties to others carrying out similar work. At the present time there is a condition of oversupply in the potash market, marked by a general decline in the selling price of the product over the past two years. The productive capacity of the industry now in existence, or under construction, substantially exceeds demand. Under the circumstances, no steps are being taken to place the property into production.

Exploration

The Company carries on an active exploration program for minerals. Its technical staff examines a number of mining prospects each year and, when warranted by such examinations, the Company may acquire such properties by staking, by purchase, or by option, and may carry out exploration work thereon with the objective of finding sufficient mineable ore to support a mining operation. The Company also participates, from time to time, in financing and managing prospecting syndicates, or may join with others in carrying out an exploration program on a mining prospect. Additionally, the Company may assist in the financing of other companies engaged in mineral exploration. Expenditures on such exploratory activity (including investment in other mining companies) since 1963 have been as follows:

	General Outside Exploration	Property and Share Acquisitions	Total
1963	$188,870	$ 27,858	$216,728
1964	134,354	23,538	157,892
1965	210,030	39,250	249,280
1966	134,420	65,103	199,523
1967	72,055	134,205	206,260
1968	282,354	141,321	423,675

The Company's Bancroft property and the Werner Lake nickel-copper mine and the investments in Red Mountain and Prairie Potash were acquired in this manner. To date, no other deposit has been discovered of mining or potential mining interest. Properties acquired under the exploration program may be dropped after preliminary investigation or may be held for an indefinite period with additional work being carried out should altered economic or other circumstances so warrant. The current annual cost of holding all such claims, including taxes, mining license fees, renewal fees and acreage tax, is approximately $3,000.

The Company holds 13 properties in the Provinces of Quebec, Ontario and Saskatchewan, and in the Northwest Territories. During 1968, a geological reconnaissance survey was carried out on one of the properties and a geophysical survey on another. None of the properties has any current commercial significance and none is considered of material importance to the Company at this time. Additionally, the Company is participating, in a proportion of approximately 25%, in two uranium prospecting syndicates and, through purchase of shares, is participating in companies carrying out exploration work in the Coppermine River area of the Northwest Territories, in the Silverton area of Colorado, in the Beaverlodge area of Saskatchewan and elsewhere. None of these participations has located any commercial ore. The range of activities detailed above is typical of the Company's normal exploration program.

The Company owns shares in a number of other mining companies. Of these holdings, the only one of present importance is 1,458,035 shares (36% of the issued capital) of Hydra Explorations Limited ("Hydra"). See "Certain Transactions". Hydra is a mining exploration company, closely associated with the Company. A. W. Johnston and H. B. Hicks are President and Vice President, respectively, of Hydra. The remarks in preceding paragraphs with respect to the method of the Company's exploration program may be applied equally to Hydra. At present, Hydra holds a number of mining properties, on none of which is any commercial deposits known to exist. Hydra has not, to date, discovered or developed any commercial mining properties. Amounts expended by Hydra in acquisition of properties and exploration thereon over the past five years are as follows:

Year	Acquisition By Staking Or Otherwise	Exploratory Expenditure
1964	$11,200	$17,390
1965	$ 3,600	$ 228
1966	$ 3,000	$22,929
1967	$ 3,000	$27,599
1968	Nil	$21,741

The current annual cost of holding all of Hydra's claims, including taxes, mining license fees, renewal fees and acreage tax, is approximately $6,000.

Bancroft Holdings Limited

Bancroft Holdings Limited ("Bancroft"), a wholly-owned subsidiary, has real estate interests in Canada and the United States. A subsidiary of Bancroft owns a two-story, fifty-two unit apartment building in Fort Myers, Florida, situated on leased land. The building was constructed in 1963 at a cost of approximately $550,000. The company has an option to purchase the land in 1977 for $150,000. The land is leased for approximately $9,200 per year. The Company's investment in its other subsidiaries is not significant in relation to the total consolidated assets.

The Maskwa Project

Maskwa Nickel Chrome Mines Limited ("Maskwa"), incorporated under the laws of the Province of Manitoba, holds mining leases on five mineral claims situated in the Bird River area in the Lac du Bonnet Mining Division of the Winnipeg Mining District in the Province of Manitoba, 26 miles west of the Company's Werner Lake mine and immediately adjacent to the road between Werner Lake

and Winnipeg. Falconbridge Nickel Mines Limited, one of the principal nickel producers in Canada, owns 59% of the outstanding stock of Maskwa. Diamond drilling by Maskwa between 1938 and 1965 has outlined, and apparently delimited, a nickel-copper deposit on the property.

Pursuant to an agreement between the Company and Maskwa, dated as of August 15, 1968, the Company has undertaken to prepare the deposit for mining at a rate of 700 tons per day (on a 365 day per year basis), and to increase the size of its concentrator at Werner Lake to enable it to treat this tonnage while continuing to treat a minimum of 300 tons of ore per day (on a 365 day per year basis) from its Werner Lake mine. The actual design of the enlarged mill provides for 700 tons from Maskwa and 500 tons from Werner Lake per day.

The Company commenced preparation of the Maskwa mine for production and an enlargement of its concentrator at Werner Lake in March 1968 pursuant to a letter of intent with Maskwa, dated February 20, 1968, and has expended therefor through December 31, 1968, approximately $1,375,000. The Company estimates that its total expenditures on the project will aggregate $2.4 million.

The expenditures incurred by the Company in preparing the Maskwa mine for production will be repaid from the cash flow, if any, resulting from sale of concentrates derived from the Maskwa project. The expenditures incurred by the Company in enlarging its mill are repayable through an amortization charge per ton of Maskwa ore treated. After repayment of the expenditures in placing the Maskwa mine into production, operating profits, if any, are to be equally divided between the Company and Maskwa. In accordance with the agreement, Dumbarton Mines Limited ("Dumbarton"), a private company, has been incorporated under the Companies Act of Manitoba. The Company and Maskwa each own 50% of the outstanding capital stock of Dumbarton. Dumbarton has a Board of five directors, three of whom are nominees of the Company and two of Maskwa. Maskwa has transferred to Dumbarton, under license, the five mining claims covering the known mineral deposit and with sufficient surface area to permit erection of the necessary buildings. The claims, comprising approximately 240 acres, are held from the Province of Manitoba under renewable leases expiring in 1984. Dumbarton will act as the operating company in the mining, transportation, concentration and sale of the products from Maskwa in accordance with the terms of the agreement between the Company and Maskwa.

Work records of the property indicate exploration activity over the past 45 years, but much of the early work was not directed to the present ore deposit. In 1951, Falconbridge was instrumental in causing the incorporation of Maskwa, amalgamating a number of mining claims in the area, including the five claims transferred under license to Dumbarton. Maskwa has carried out exploration work on the property from time to time and has made available to the Company its records covering approximately 31,000 feet of surface diamond drilling on the nickel-copper deposit in the form of a plan and 27 vertical cross-sections showing the drill holes with the lengths and percentages of nickel and copper intersected. Early in 1968, the Company, at the expense of Maskwa, carried out a further 4,000 feet of surface diamond drilling. Results of this drilling revealed only minor differences from Maskwa's results. Drill core recovery approximated 100%.

Based on the results of all of the diamond drilling, and including a dilution factor of 10%, ore reserves are estimated by the Company at 1,350,000 tons with a grade of 1.06% nickel and 0.34% copper. Some platinum group metals are known to be present but insufficient data exists to permit an estimate of their amount and no credit has been assigned to them in calculating the value of the ore. The extent of the ore appears to have been completely delimited by the diamond drilling, with maximum depth approximately 475 feet below surface. Ore width ranges from 10 feet to 53 feet

and averages 21 feet. The deposit will be opened through an inclined entry, driven at an angle of 15 degrees. Stoping will be carried out by means of long-hole, sublevel mining methods (see under Werner Lake Area above) and the ore will be moved by trackless equipment to an underground primary crusher and thence by conveyor belt to a surface storage bin. No exploration for additional ore is planned. Basically, the project is considered as a salvage operation of a limited ore tonnage, only made economically possible through the proximity of the Werner Lake plant.

The crushed ore will be transported by truck to the concentrator at Werner Lake. Metallurgical tests of typical samples of drill core from Maskwa have been tested, on behalf of the Company, by independent laboratories, for grinding and flotation characteristics. The Maskwa ore has been shown to be amenable to the same concentrating techniques as that from Werner Lake. The two ores will be ground in separate circuits but thereafter will be commingled into a single concentrate. Capital cost for mine development, road improvement, concentrator addition and all other applicable expenses, including interest on money advanced prior to actual production, is estimated at $2,371,000. Net smelter return per ton of ore, using April 1969 metal prices, is estimated at $15.56.

Falconbridge has agreed to purchase all of the concentrates produced from the Maskwa ore until September 1974, under terms essentially the same as those covering purchase of Werner Lake concentrates by International Nickel. (See "Werner Lake Property".) As concentrates from the two properties will be commingled during treatment, division between the two purchasers will be on the basis of the quantity of nickel recovered from each property. First production of Maskwa ore is scheduled for July 1, 1969, and hence at the conclusion of the Falconbridge purchase contract, additional ore will remain unmined at Maskwa. Under terms of the purchase contract, Falconbridge has an option on further production beyond September 1974, but there is no assurance that this option will be exercised; if it is not, ore remaining at Maskwa may not be mined. The corresponding contract with International Nickel covering Werner Lake production expires in September 1972. It is possible that production from the Werner Lake mine would cease if the contract was not renewed at its expiration. There is no assurance that the Maskwa mine will be a profitable operation.

MANAGEMENT

The names, home addresses and the principal occupations within the five preceding years of the directors and officers of the Company are as follows:

Name, Home Address		Office
Ashton W. Johnston 55 Edgehill Road Toronto, Ontario	President of the Company or of a predecessor since 1958.	President and Director
Daniel L. Marcus 2123 Chalmers Road Ottawa, Ontario	Executive Vice President of the Company since May 1967; Vice President and a director of Metal Mines Limited, 1966 to 1967; President of West Indies Plantations Limited (a real estate holding company), 1966-1968; salesman with Nesbitt Thomson & Co. Ltd. (investment dealers), 1962-1965.	Executive Vice President and Director

Name, Home Address		Office
H. Brodie Hicks 23 Princeton Road Toronto, Ontario	Vice President of the Company or of a predecessor since 1959.	Vice President, Operations and Director
Leslie E. Wetmore 1394 Milton Avenue Port Credit, Ontario	Secretary of the Company or of a predecessor since 1958.	Secretary
William M. O'Shaughnessy 200 Ridley Blvd. Toronto, Ontario	Treasurer of the Company since 1964; Associated with a predecessor in an accounting capacity since 1957.	Treasurer
W. Clarke Campbell 95 Dunvegan Road Toronto, Ontario	Member of the firm of Day, Wilson, Campbell (barristers and solicitors)	Director
Jules Loeb Stonehouse Lucerne, Quebec	President, Loeb Variety Sales Ltd. (wholesaler and distributor of general merchandise)	Director
John K. McCausland 11 York Ridge Road Willowdale, Ontario	Vice President and Director, Wood, Gundy & Co., Ltd. (investment dealers)	Director
George Perley-Robertson 80 Juliana Road Rockcliffe Park, Ontario	Member of the firm of Gowling, MacTavish, Osborne & Henderson (barristers and solicitors)	Director
George T. Smith 7 Ormsby Crescent Toronto, Ontario	Barrister and solicitor; President, Siscoe Mines Limited	Director
Archibald B. Whitelaw 11 Yorkleigh Road Weston, Ontario	Member of the firm of Manning, Bruce, Macdonald & Macintosh (barristers and solicitors)	Director

As of April 14, 1969, all directors and officers of the Company as a group owned beneficially 25,219 Common Shares, representing less than 1% of the then outstanding Common Shares. Two directors and an unaffiliated person beneficially own in the aggregate $500,000 principal amount of 7½% Convertible Notes of the Company, convertible into a maximum of 142,857 Common Shares on the terms described under "Description of 7½% Convertible Notes."

Remuneration of Officers and Directors

During 1968, no officer or director received aggregate remuneration from the Company or any affiliated company in excess of $30,000; all directors and officers as a group (11 in all) received aggregate remuneration of $118,400. In addition, Antell Securities Limited, of which A. W. Johnston is the sole stockholder, was paid $30,000 during 1968 for consulting services. Day, Wilson, Campbell, in which firm Mr. Campbell is a partner, received legal fees from the Company and affiliated companies aggregating $41,125 in 1968. Messrs. Manning, Bruce, Macdonald & Macintosh, in which firm Mr. Whitelaw is a partner, also received legal fees from the Company during 1968.

The estimated annual benefits upon retirement under the Company's actuarial pension plan for all officers and directors as a group is $32,400.

Stock Options

Pursuant to an Incentive Stock Option Plan established by Metal Mines Limited, a predecessor company, and assumed by the Company, non-transferable options to purchase an aggregate of 53,750 Common Shares at an option price of $2.60 per share are held by the following officers and directors of the Company:

Ashton W. Johnston	35,000 shares
Daniel L. Marcus	8,750 shares
H. Brodie Hicks	6,250 shares
Leslie E. Wetmore	2,500 shares
William M. O'Shaughnessy	1,250 shares

The options are exercisable on or before June 30, 1975, and provide that the number of shares which may be purchased by an optionee in any one year shall not exceed 25% of his total optioned shares. The closing market price of Metal Mines Limited shares on the Toronto Stock Exchange on July 21, 1966, the date of grant of said options, was $1.49. (Upon the acquisition of the assets of Metal Mines by the Company, the number of shares subject to option and the option price of $1.30 per share was adjusted.)

Pursuant to an Incentive Stock Option Plan established by Augustus Exploration Limited, a predecessor company, and assumed by the Company, W. Clarke Campbell holds an option to purchase 6,667 shares at a price of $2.50 per share, exercisable on or before May 19, 1970. The closing market price of Augustus Exploration Limited shares on the Canadian Stock Exchange on May 19, 1965, the date of grant of the options, was $.30. (Upon the amalgamation of Augustus and the Company, the number of shares subject to option and the option price of $.50 per share was adjusted.)

DESCRIPTION OF COMMON SHARES

All Common Shares issued and to be issued upon exercise of Subscription Rights or on conversion of the Notes have equal rights and privileges with respect to dividends, voting and distributions on liquidation. Holders of Common Shares have no preemptive or conversion rights. All Common Shares outstanding are fully paid and non-assessable and all shares to be issued upon exercise of Subscription Rights or on conversion of the Notes will be fully paid and non-assessable, when issued. The Common Shares have no par value.

A special resolution adopted by at least two-thirds of the votes cast at a meeting of holders of Common Shares is a pre-requisite to any variation of the Letters Patent (charter) of the Company. Under the By-laws, two shareholders holding or representing by proxy not less than 25% of the issued shares constitute a quorum for a shareholders' meeting. Under the laws of Ontario, the Company is prohibited from repurchasing any of its Common Shares except to consolidate and resell fractions of a share.

The Common Shares do not have cumulative voting rights and therefore the holders of more than 50% of the Common Shares can elect all of the directors if they choose to do so. In such event the holders of the remaining shares cannot elect any directors.

DESCRIPTION OF 7½% CONVERTIBLE NOTES

The 7½% Convertible Notes were issued and sold by the Company on November 8, 1968, pursuant to a Note Purchase Agreement dated November 4, 1968 at 95% of their principal amount. The Notes mature August 31, 1969, may be renewed for a further term not to exceed nine months, and bear interest at the rate of 7½% per year, payable upon maturity or on conversion. The Notes were issued in order to raise funds for the Maskwa Project. See "Business and Properties — the Maskwa Project". The Notes are convertible at the option of the holder thereof, in whole or in part, from the third business day after expiration of the Subscription Offer until the maturity date of the Notes at the Subscription Price into Common Shares not subscribed for during the Subscription Offer together with such additional Common Shares not in excess of 12,000 not reserved for exercise of outstanding stock options that are authorized but unissued at the expiration of the Subscription Offer. The Agreement provides that within 14 days after the expiration of the Subscription Offer the Company will redeem out of the net proceeds therefrom such of the Notes then outstanding as will not be convertible into Common Shares. See "Use of Proceeds". It is expected that the balance of the Notes will be converted into Common Shares prior to the maturity of the Notes and such shares may be reoffered by the holders thereof. In such event, this Prospectus will be amended by post-effective amendment disclosing the terms and prices at which such shares will be offered. There is no agreement or understanding between the Company and the Noteholders regarding the amount of Notes that may either be retired or converted. Certain of the purchasers of the Notes are officers and directors of the Company. One of the purchasers is a corporation, 36% of the outstanding stock of which is owned by the Company. See "Certain Transactions". The Company has agreed to reimburse the Noteholders for certain of their expenses in connection with the issuance of the Notes, estimated at $3,000.

CERTAIN TRANSACTIONS

On November 8, 1968, the Company issued and sold $1,500,000 principal amount of 7½% Convertible Notes (see "Description of 7½% Convertible Notes") to the following purchasers:

Name and Address	Principal Amount of Notes
Ralph D. Parker 131 Bloor Street West Toronto, Ontario	$500,000
A. W. Johnston W. Clarke Campbell James A. Easto 250 University Avenue Toronto, Ontario	500,000
Hydra Explorations Limited 100 Adelaide Street West Toronto, Ontario	500,000

Mr. Johnston is President and a director of the Company and of Hydra. Mr. Campbell is a director of the Company and of Hydra, and is a partner of Day, Wilson, Campbell, counsel to the

Company. Messrs. Parker and Easto have no other affiliation with the Company. The Company owns 36% of the outstanding stock of Hydra.

In 1965 Bancroft, a subsidiary of the Company, acquired a mortgage which was a lien on Mr. Johnston's residence in Toronto, Ontario, in the principal amount of $50,000. The mortgage, which provided for interest at 6% per annum and was for a five year term, was repaid in July 1968.

LEGAL MATTERS

Legal matters in connection with this offering have been or will be passed upon for the Company as to matters governed by Canadian law by Messrs. Day, Wilson, Campbell, 250 University Avenue, Toronto, Canada, and Messrs. Manning, Bruce, Macdonald & Macintosh, 85 Richmond Street West, Toronto, Canada, and as to matters governed by United States law and with respect to the application of United States Interest Equalization Tax by Messrs. Parr, Doherty, Polk & Sargent, 80 Broad Street, New York, New York.

EXPERTS

The financial statements and schedules of the Company included herein and elsewhere in the Registration Statement, have been examined by Thorne, Gunn, Helliwell & Christenson, Chartered Accountants and Bogue, Taylor & Edenfield, Certified Public Accountants, to the extent and for the periods stated in their reports included herein and in the Registration Statement. Such statements and schedules have been included in reliance on the opinions of said firms and on their authority as experts in auditing and accounting.

ACCOUNTANTS' REPORTS

To the Board of Directors
Consolidated Canadian Faraday Limited

We have examined the consolidated balance sheet of Consolidated Canadian Faraday Limited and the subsidiaries listed in Note 1 to the financial statements as at December 31, 1968, and the related statements of operations for the five years then ended and of retained earnings for the three years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances; however, it was not practicable to verify by physical inspection the quantities of concentrates, as to which we have satisfied ourselves by means of other auditing procedures.

Certain items as set forth in Note 9, which were charged directly to retained earnings in certain annual reports to shareholders, have been reclassified as charges to operations and contributed surplus in the accompanying financial statements to comply with the requirements of the United States Securities and Exchange Commission. We take no exception to this alternative treatment of such items.

The financial statements of Farida, Inc. for 1968 were examined by other accountants whose report was furnished to us. Our opinion for 1968 is based on our examination and the report of the other accountants.

In our opinion, except for the omission of amortization of preproduction expenditures as explained in Note 3, these financial statements supplemented by the notes thereto, present fairly the consolidated financial position of Consolidated Canadian Faraday Limited and its consolidated subsidiaries as at December 31, 1968 and the results of their operations for the periods stated, in accordance with generally accepted accounting principles applied on a consistent basis.

THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants

Toronto, Canada
January 28, 1969

ACCOUNTANTS' REPORT

To the Board of Directors
FARIDA, INC.

We have examined the statement of financial position of Farida, Inc. as of December 31, 1968, and the related statements of loss and deficit for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements of financial position and statements of loss and deficit (not separately presented herein) supplemented by the notes thereto, present fairly the financial position of Farida, Inc. at December 31, 1968, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

BOGUE, TAYLOR & EDENFIELD
Certified Public Accountants

Fort Myers, Florida
January 20, 1969

CONSOLIDATED CANADIAN FARADAY LIMITED
and Consolidated Subsidiaries

CONSOLIDATED BALANCE SHEET
December 31, 1968

(all amounts are stated in Canadian currency)

ASSETS		
Current Assets		
Cash and short-term deposits	$ 457,381	
Accounts receivable	109,581	
Outstanding settlements and concentrates ($126,000) at estimated net realizable value	941,410	
Supplies and prepaid expenses	397,486	
Total current assets		1,905,858
Investments in Unconsolidated Subsidiaries (Note 1)		
Shares, at cost	36,403	
Advances	57,000	
	93,403	
Less allowance for losses	57,000	
		36,403
Other Security Investments, less $979,680 allowance for losses (Note 2)		2,288,690
Fixed Assets (Notes 3 and 8)		
Buildings, plant and equipment, at cost	10,803,310	
Less accumulated depreciation	8,424,640	
	2,378,670	
Mining claims, rights, properties and leases, at cost less accumulated depletion of $409,609	485,169	
		2,863,839
Other		
Advances to unaffiliated companies	195,329	
Receivable from director	27,800	
Interest in power line, at cost less recoveries	75,975	
Deferred mine development expenditures, less amortization (Note 3)	108,884	
Note discount and mortgage costs, less amortization	64,619	
		472,607
Total		$ 7,567,397
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 414,826	
7½% convertible notes (Note 6)	1,500,000	
Total current liabilities		1,914,826
Long-Term Liabilities		
6½% mortgage payable in instalments to September 1, 1976, less current portion included in current accounts payable		156,649
Total liabilities		2,071,475
Commitments and Contingencies (Note 8)		
SHAREHOLDERS' EQUITY		
Capital Stock (Notes 4, 6 and 7)		
Authorized — 3,500,000 shares of no par value (68,542 reserved for stock options)		
Issued — 2,548,681 shares	3,430,148	
Contributed Surplus (Notes 5 and 9)	1,506,061	
Retained Earnings (Note 9)	559,713	
		5,495,922
Total		$ 7,567,397

See the accompanying notes to financial statements.

CONSOLIDATED CANADIAN FARADAY LIMITED
and Consolidated Subsidiaries

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
(all amounts are stated in Canadian currency)

	Year ended December 31,		
	1966	1967	1968
Retained earnings at beginning of year (Note 1)	$2,934,484	$2,486,606	$2,463,284
Deduct			
Net loss for the year	363,103	23,322	1,903,571
Dividends paid(a)	82,918		
Excess of cost of shares of Metal Mines Limited acquired during year over their net book value	1,857		
	447,878	23,322	1,903,571
Retained earnings at end of year	$2,486,606	$2,463,284(b)	$ 559,713

(a) Per share amounts paid by the respective constituent companies are not relevant in view of their amalgamation in 1967.

(b) See note 9 to consolidated financial statements.

CONSOLIDATED CANADIAN FARADAY LIMITED
and Consolidated Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Principles of Consolidation

The statements of operations and retained earnings for periods prior to January 1, 1967, were prepared on the basis indicated in "Consolidated Statement of Operations" included in this Prospectus. In 1968, Farida, Inc. and Faramines, Inc., wholly owned subsidiaries, were also included in the consolidation. Prior to inclusion in consolidation, the results of operations (losses) of those subsidiaries were provided for in the parent's accounts. Accordingly, the carrying amounts of the investments by the parent were equal to its equity in the underlying book net assets of the unconsolidated subsidiaries.

The carrying amount of the parent's investment in the consolidated subsidiaries at December 31, 1968, was equal to its equity in the aggregate of their book net assets.

The statements of operations and retained earnings for periods prior to January 1, 1967 were prepared on the basis indicated in "Consolidated Statement of Operations" included in this Prospectus.

2. Other Security Investments

These may be summarized as follows:

	Advances	Shares, not in excess of cost	Allowances for losses	Total	Quoted market value
Companies for which there is a quoted market value	$	$ 651,103		$ 651,103	$565,656
Companies for which there is no quoted market value	100,000	185,932		285,932	
	100,000	837,035		937,035	
Allowance for loss on above investments			(200,000)	(200,000)	
Closely held companies					
Prairie Potash Mines Limited		180,000		180,000	
Dumbarton Mines Limited	1,171,654			1,171,654	
Red Mountain Mines Limited (6% income debentures)	979,680	1	(779,680)	200,001	
	$2,251,334	$1,017,036	$(979,680)	$2,288,690	$565,656

See "Business and Properties" in this Prospectus for information concerning the nature and status of these items and the company's rights and obligations with respect to these investments and advances.

3. Depreciation, depletion and amortization policy

(a) Depreciation and amortization

(i) Bancroft Property

No provision has been made in the accounts for depreciation of buildings, plant and equipment and amortization of deferred development expenditures since 1964 because those assets were fully depreciated and amortized at the end of the 1964 fiscal year.

(ii) Werner Lake Property

In 1963, Metal Mines Limited changed its policy of amortization of preproduction expenditures at 10% per annum, and wrote off the unamortized balance, $5,119,395, to the deficit account. In consolidation $1,930,944 of that amount was applied as a reduction of Metal Mines' assets, $584,149 was applied to the then existing minority interest and the remainder, $2,604,302 was charged to consolidated retained earnings.

Prior to 1967 deferred mine development expenditures were amortized on a straight-line basis at 15% per annum on cost. Beginning in 1967 the rate was increased to 25% per annum. This change resulted in an increased charge to income for the year ended December 31, 1967 of $34,728 and for the year ended December 31, 1968 of $31,414.

Depreciation on fixed assets is provided on a straight-line basis at 10% per annum on cost.

(iii) Real estate assets.

Depreciation is provided on a straight-line basis at varying rates between 2½% and 33⅓% per annum.

(b) Depletion

It is not common practice in Canada for mining companies to make provision for depletion of mining claims, rights, properties and leases and the company's present policy is to not make any provision in its accounts. Prior to 1964, one of the constituent companies did provide for depletion to the extent of $409,609, which is still carried in the accounts.

(c) Maintenance, repairs and disposals

Maintenance, repairs and minor renewals are charged to expense as incurred. Other renewals, betterments and additions are charged to fixed asset accounts. The asset accounts are adjusted on disposal and any profit or loss reflected in the statement of income.

4. Capital Stock

In terms of present capitalization, shares have been issued as follows:

	No. of shares	Stated value
In 1967		
To the shareholders of the amalgamated companies:		
The Canadian Faraday Corporation Limited	1,213,542	$1,651,101
Augustus Exploration Limited	750,498	750,498
To Metal Mines Limited, on acquisition of its net assets	567,350	984,259
	2,531,390	3,385,858
For cash, pursuant to option plan	4,375	11,375
Balance December 31, 1967	2,535,765	$3,397,233
In 1968		
For cash, pursuant to option plan	12,916	32,915
Balance December 31, 1968	2,548,681	$3,430,148

5. Contributed Surplus

The contributed surplus amounts arose in connection with the issuance of the capital stock as of January 1, 1967 to effectuate the amalgamation. The only subsequent change was the transfer to contributed surplus of stock issue expenses of $125,646 in connection with the amalgamation previously charged to retained earnings (see note 9).

6. 7½% Convertible Notes

To finance the preparation for mining of a nickel-copper deposit adjacent to the company's existing Werner Lake mine, the notes were issued November 8, 1968 at a 5% discount and mature August 31, 1969. They may be renewed for a further term of up to nine months.

It is intended that the notes will be retired out of the proceeds of a rights offering to shareholders. However, to the extent that authorized and unissued common shares of the company are available, the noteholders have the right, on termination of the rights subscription offer until the maturity date of the notes, to convert the notes into shares at the subscription price. See "Description of the 7½% Convertible Notes" in this Prospectus.

7. Incentive Option Plans for Key Officers and Personnel Continued from Constituent Companies

Augustus Exploration Limited

In 1965, 216,000 shares of the capital stock of Augustus were reserved under an incentive option plan. On amalgamation the reservation was reduced to 40,000 shares of capital stock of Faraday. Options are exercisable within five years at market price on the date of grant, but at not less than $2.50 per share.

Metal Mines Limited

In 1966, 150,000 shares of the capital stock of Metal Mines were reserved under an incentive option plan. This reservation was subsequently reduced to 72,500 shares of capital stock of Faraday. Options are exercisable within ten years of the date of grant at not less than 85% of market price at that date. The options are restricted to the extent that a maximum 25% of the options granted become eligible for exercise in any one year.

Options became exercisable during the period as follows:

Year Option became exercisable	Number of Shares	Option Price Per Share	Option Price Total	Fair Market Value at Date Options became Exercisable Per Share	Fair Market Value at Date Options became Exercisable Total
1965	40,000	$2.50	$100,000	$1.53	$ 61,200
1966	18,125	2.60	47,125	2.86	51,838
1967	18,125	2.60	47,125	2.85	51,656
1968	18,125	2.60	47,125	3.20	58,000
1969	18,125	2.60	47,125	—	—
	112,500				

Year in which Options were Exercised	Number of Shares	Option Price Per Share	Option Price Total	Fair Market Value at Date Options were Exercised Per Share	Fair Market Value at Date Options were Exercised Total
1965	26,667	$2.50	$ 66,667	$2.75	$ 73,334
1966	—	—	—	—	—
1967	4,375	2.60	11,375	3.00	13,125
1968	6,666	2.50	16,665	4.45	29,663
	6,250	2.60	16,250	3.00 to 5.00	27,693

Options outstanding at December 31, 1968

Number of Shares	Option Price Per Share	Option Price Total	Fair Market Value at Date of Grant Per Share	Fair Market Value at Date of Grant Total
6,667	$2.50	$ 16,667	$1.53	$ 10,200
61,875	2.60	160,875	2.98	184,387
68,542				

Shares and market prices listed above have been converted to equivalent shares of Consolidated Canadian Faraday Limited. Fair market value is the quoted market value on the Toronto Stock Exchange on the date of the transaction and for Augustus shares prior to amalgamation, the quoted market value on the Canadian Stock Exchange.

Proceeds from sales of shares under the option agreements during the period were credited in full to capital stock.

8. Commitments and Contingencies

Agreement With Federal Resources Corporation

Pursuant to the terms of an agreement dated September 8, 1966 with Federal Resources Corporation, an unaffiliated company, that company was granted the right to investigate the commercial potential of the Bancroft (uranium) property. Federal may re-activate the property and purchase a 51% interest in it and provide certain operative funds. The company will retain a 49% interest. Under the terms of the agreement Federal has assumed responsibility for maintenance of the mine property. See "Business and Properties — Bancroft Property" in this Prospectus for additional information concerning this agreement.

Pension Plan Contribution

The company has a registered contributory retirement pension plan by which certain eligible employees who qualify as to age and term of continuous employment may participate. The plan is administered by the Canada Life Assurance Company, Toronto, Canada. Each employee is required to make monthly contributions of 5% of earnings. The company is required to contribute an amount, determined by actuarial computation, sufficient to purchase monthly for each employee a pension equivalent to 1.5% of the employee's earnings. The amount of pension contribution by the company is based upon the employee's salary, age and length of employment.

The annual cost of the plan is estimated to be $9,000. There is no further liability on account of past service.

Leases

The company's lease in its head office premises extends to March, 1972, at an annual rental of approximately $20,000. Certain mining properties are held under leases for periods of five to twenty-one years with provisions for renewals in perpetuity at the company's option. The aggregate rental under such leases is not material.

9. Comparison With 1967 Annual Report to Shareholders

The results of operations and the shareholders' equity shown in the annual report for the year ended December 31, 1967 differ from those shown in the financial statements included in the Prospectus because the latter are prepared in accordance with requirements of the U. S. Securities and Exchange Commission. Such differences are reconciled as follows:

	Net income or (loss)	Contributed surplus	Retained earnings
Per report to shareholders	$ 69,850	$1,631,707	$2,337,638
Add (deduct) items originally charged to retained earnings in 1967:			
Outside exploration	(72,055)		
Reorganization expense		(55,646)	55,646
Cost of mining claims abandoned	(13,117)		
Obsolete Bancroft mine stores written off	(8,000)		
Reorganization expense recorded in preceding year		(70,000)	70,000
As adjusted	$(23,322)	$1,506,061	$2,463,284

Because of the amalgamation as of January 1, 1967, reconciliations of prior year differences in operating results and shareholders' equity shown in annual reports to shareholders and amounts shown in the financial statements included in this Prospectus are not considered relevant as of the date of this Prospectus.

10. Supplementary Profit and Loss Information

Expenses of the following categories were charged directly to operations in the amounts shown during the periods stated:

	Year ended December 31,		
	1966	1967	1968
Maintenance and repairs	367,362	292,948	303,868
Depreciation	353,777	357,017	414,275(a)
Amortization of deferred mine development	37,020	81,889	84,534
Taxes, other than income (primarily taxes on property)	28,500	7,000	5,581
Directors' fees	28,100	19,600	16,900
Rents, excluding mining properties	16,284	18,348	19,780

There were no management or service contract fees or royalties.

(a) The increase in 1968 is primarily attributable to the inclusion of Farida, Inc. See Note 1.

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CONSOLIDATED CANADIAN FARADAY LIMITED
SUITE 1600, 100 ADELAIDE ST. W., TORONTO, ONTARIO

Printed in Canada

CONSOLIDATED CANADIAN FARADAY LIMITED

INTERIM REPORT

FOR THE SIX MONTHS PERIOD ENDING JUNE 30, 1969

TO THE SHAREHOLDERS:

Consolidated statements of income and source and application of funds are supplied in this report for the six-months period ended June 30, 1969.

Shareholders should note that the comparative figures for 1968 have been restated as a result of a new accounting procedure, adopted this year, which charges outside exploration against current income.

The loss recorded for the six months' period was not unexpected, in view of the revised accounting basis and, of more effect, as a result of the lowering grade of ore treated at the Werner Lake mine. This trend was stated in the last annual report and it is not expected to improve until production from the Dumbarton mine commences.

The current labor strike at the Sudbury local of The International Nickel Company of Canada Limited has caused some initial dislocation at the Werner Lake mine. Assuming that the strike will not be of long duration, its effect would not be of major significance to your company.

Ore shipments from the Dumbarton mine were originally scheduled to start in July. Unavoidable delays occurred in the development program, however, and it is now anticipated that milling of Dumbarton mine ore will start in late August.

The subsequent effect of reducing production costs at Werner Lake, through the increased milling rate, should benefit the company's cash flow position during the latter half of the current fiscal year.

Shareholders who were unable to attend the recent annual meeting of the company may not be aware that Mr. Ashton W. Johnston has retired as president of the company. Mr. Johnston has had prominent recognition in the Canadian mining industry for many years and the directors are pleased that he will continue to serve the company as chairman of the board. The undersigned was elected president of the company following Mr. Johnston's resignation.

I believe most shareholders will agree the company is fortunate to have Messrs. Ralph D. Parker, John W. Barrington and J. J. Rankin join the board. These men, elected at the annual meeting and subsequently, have international reputations as senior mining executives. Mr. Parker was formerly senior vice-president of The International Nickel Company of Canada and Mr. Barrington is a former president of McIntyre Porcupine Mines Limited. Mr. Rankin, president of the Prospectors and Developers Association, is a leading figure in the Canadian mining industry.

On behalf of the board,

W. C. Campbell

Toronto, Ontario,
August 12, 1969.

W. CLARKE CAMPBELL,
President.

CONSOLIDATED CANADIAN FARADAY LIMITED

AND ITS CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

Six Months Ended June 30, 1969

(all figures are subject to final audit)

	1969	1968
Gross revenue	$1,482,000	$1,821,000
Operating costs	1,471,000	1,757,000
	11,000	64,000
Profit (loss) on sale of investments	—	(6,000)
	11,000	58,000
Deduct:		
Depreciation	204,000	192,000
Amortization of deferred development	45,000	41,000
Note discount and interest	97,000	—
Financing expense	51,000	—
Outside exploration (note)	65,000	215,000
	462,000	448,000
Net income (Loss)	(451,000)	(390,000)

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Six Months Ended June 30 1969	1968
Source of Funds:		
Issue of common shares	$3,028,000	$ 3,000
Other	11,000	50,000
	3,039,000	53,000
Application of funds:		
Operations		
Loss for the period	451,000	390,000
Deduct depreciation, amortization and other items not involving a current outlay of funds	294,000	233,000
	157,000	157,000
Advances to Dumbarton Mines	833,000	411,000
Additions to fixed assets	210,000	30,000
Other	20,000	20,000
	1,220,000	618,000
Increase (decrease) in working capital position	1,819,000	(565,000)
Working capital (deficiency) at beginning of year	(9,000)	1,624,000
Working capital at end of period	1,810,000	1,059,000

NOTE:

Because of the differing basis of consolidation adopted in 1969, comparative figures for 1968 have been restated. The company has included outside exploration in its statement of income. In 1968 this item was charged to retained earnings.